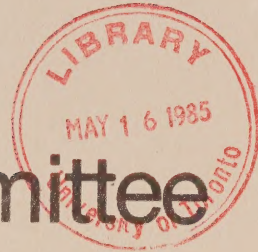




Digitized by the Internet Archive
in 2022 with funding from
University of Toronto

<https://archive.org/details/31761114686033>

CA20N
XC 21
-P71



Standing Committee on Public Accounts

1984 Report

Fourth Session, Thirty-Second Parliament
33 Elizabeth II



LEGISLATIVE ASSEMBLY
ASSEMBLÉE LÉGISLATIVE

The Honourable John M. Turner, M.P.P.
Speaker of the Legislative Assembly

Sir,

On behalf of the Members of the Standing Committee on Public Accounts, appointed by Order of the Assembly on April 24, 1981, I have the honour to submit the attached report.

A handwritten signature in cursive script that reads "Murray J. Elston".

Murray J. Elston, M.P.P.
Chairman

Queen's Park
February, 1985

CH 2 OK
XC 21
- P 76

STANDING COMMITTEE ON PUBLIC ACCOUNTS
LEGISLATIVE ASSEMBLY OF ONTARIO
FOURTH SESSION, THIRTY-SECOND PARLIAMENT

MURRAY J. ELSTON, M.P.P.

Huron Bruce

CHAIRMAN

ERNIE EVES, M.P.P.

Parry Sound

VICE-CHAIRMAN

JIM BRADLEY, M.P.P.

St. Catharines

ED PHILIP, M.P.P.

Etobicoke

HERB EPP, M.P.P.

Waterloo North

EDWARD SARGENT, M.P.P.

Grey-Bruce

ED HAVROT, M.P.P.

Timiskaming

MARGARET SCRIVENER, M.P.P.

St. David

R. DOUGLAS KENNEDY, M.P.P.

Mississauga South

JIM TAYLOR, Q.C., M.P.P.

Prince Edward-Lennox

AL KOLYN, M.P.P.

Lakeshore

BUD WILDMAN, M.P.P.

Algoma

FRANCO CARROZZA
CLERK OF THE COMMITTEE

ELIZABETH GARDINER
RESEARCH OFFICER
LEGISLATIVE RESEARCH SERVICES

TABLE OF CONTENTS

PREFACE	1
GENERAL COMMITTEE COMMENT (#1)	3
SUMMARY OF ADDITIONAL COMMENTS AND RECOMMENDATIONS	5

SUMMARY OF HEARINGS

MINISTRY OPERATIONS

Accountability for Transfer Payments (Section 3.2 of the Auditor's 1983 Report)	9
Comment (#2)	23
Ministry of Agriculture and Food (Section 3.4 of the Auditor's 1983 Report)	24
Recommendation (#3)	26
Ministry of Community and Social Services (Section 3.5 of the Auditor's 1983 Report)	27
Ministry of the Environment (Section 3.8 of the Auditor's 1983 Report)	30
Ministry of Government Services (Section 3.9 of the Auditor's 1983 Report)	34
Recommendation (#4)	37
Ministry of Health (Section 3.10 of the Auditor's 1983 Report)	38
Ministry of Health (Section 3.11 of the Auditor's 1983 Report)	40
Ministry of Labour (Section 3.12 of the Auditor's 1983 Report)	42
Recommendation (#5)	46
Ministry of Northern Affairs (Section 3.13 of the Auditor's 1983 Report)	47
Comment (#6)	53
Recommendation (#7)	54
Ministry of the Solicitor General (Section 3.15 of the Auditor's 1983 Report)	55
Recommendation (#8)	58
Comment (#9)	58

PREFACE

The Standing Committee on Public Accounts was appointed on April 24, 1981, in accordance with Standing Order No. 91, with the power to send for persons, papers and things, pursuant to Section 35 of the Legislative Assembly Act. Under the Standing Orders, the Committee is appointed for the life of the Parliament.

During 1984, the Committee held 41 meetings on the various matters outlined in this report. Most of the matters were raised in the Provincial Auditor's 1983 Report, but some of the items investigated were initiated by the Committee.

In July, the Chairman and Members, accompanied by staff, attended the Sixth Annual Meeting of the Canadian Council of Public Accounts Committees, held in Charlottetown, Prince Edward Island. This meeting was held in conjunction with the Legislative Auditors' Conference. These organizations bring together Chairmen, Members, Auditors, staff and experts from across Canada, to exchange information and experiences about common goals and problems. The next meeting of the Council is to be held in Whitehorse, Yukon in July, 1985.

In September, the Committee conducted a special review of the Provincial Auditor's report on the finances of Ontario Hydro, dealing specifically with the Darlington Nuclear Generating Station, the cost of retubing the Pickering Nuclear Generating Station and the mothballing of certain other stations.

In October, the Committee travelled to London, England, to review the National Audit Act, to study the privatization of Crown Corporations, and to exchange information with the House of Commons Public Accounts Committee regarding issues of common interest and concern.

On October 31, 1984, the Committee lost the services of its distinguished Chairman, Mr. T. Patrick Reid, M.P.P. The Committee wishes to express its appreciation, and to thank him for his long-standing contribution and leadership.

Mr. Murray Elston, M.P.P. has assumed the position of current Chairman. The Committee welcomes him, and wishes him well in his new role.

The Committee would like to thank the Provincial Auditor, Mr. Douglas Archer, and his staff, for their assistance and co-operation. Similarly, the Committee wishes to express its appreciation and thanks to the Clerk, Mr. Franco Carrozza, and Ms. Elizabeth Gardiner, Research Officer, for their excellent work on behalf of the Committee.

As in past reports, the Committee is pleased to record its thanks to the public servants who appeared before the Committee, for their willingness to provide information and for their assistance in helping the Committee fulfill its mandate. Responses to items raised in the Committee's 1983 report have been received from all ministries and agencies.

The Committee has examined an exceptionally large number of items during the past year. For some, it has made recommendations or comments. Matters requiring no recommendations or comments are also included in this report for the purpose of information and reference.

GENERAL COMMITTEE COMMENT

- #1. Once again, as in the past, the Committee notes, with concern, that there continue to be occasions in which senior government management officials have demonstrated either a lack of knowledge of, or have contravened, the policies contained in Management Board's Ontario Manual of Administration.

In this respect, the Committee is in full agreement with certain observations and recommendations contained in the recent report by Price Waterhouse Associates and The Canada Consulting Group entitled "A Study of Management and Accountability in the Government of Ontario".

With particular reference to the Manual, the report states:

Government managers generally accept the need for a clear set of rules governing their actions as managers. Supplying these rules is the primary role of the Manual of Administration Senior government managers typically do not refer to the Manual; instead they leave the analysis of administrative policy issues to subordinates. As a result, senior managers' knowledge of administrative practices is often incomplete, and the potential of the Manual to contribute to effective management practice is lessened. Comprehensive or lengthy training of government managers in the contents of Manual directives is neither necessary nor desirable But there is merit in giving managers, at an early stage in their careers, a good grounding in it. An overview of the Manual's coverage and purposes, the policy development process, the code of values, and the nature and rationale for key policies should be given through a module of the government-wide management development courses.

The report also issues a statement regarding the roles of Management Board and deputy ministers in ensuring government-wide compliance with administrative and management practices and guidelines:

. . . Cabinet should be assured that Management Board has sufficient authority to ensure that ministries are complying with Board policies as well as maintaining a satisfactory standard of management

To strengthen the accountability relationship between deputy ministers and Management Board for administrative rules and management practices, our proposal is to provide for formal delegation of authority from the Board to each deputy for the Board's management policies. The deputy will then make decisions and ensure compliance within this delegated authority The Board should be responsible to work out a satisfactory mechanism for delegating authority to and monitoring information on compliance by each ministry.

SUMMARY OF ADDITIONAL COMMENTS AND RECOMMENDATIONS

#2. During the Committee's review of transfer payments, it was noted that there were several ministerial reports outstanding, or in progress. It is the wish of the Committee that these reports be reviewed by the ministries as they become available. Subsequently, the appropriate ministerial responses to these reports will be reviewed by the Committee. Specifically, these reports are:

- a) Management Board - Task Force on the Auditing of Ontario Transfer Payment Recipients.
- b) Ministry of Health - report of the Comprehensive Audit Steering Committee for establishing value-for-money auditing in individual hospitals.
- c) Ministry of Health - report of the three-year pilot project on "case mix accounting" in individual hospitals.
- d) Ministry of Education - operational reviews of school boards.
- e) Ministry of Colleges and Universities - report of the Commission on the Future Development of the Universities of Ontario.
- f) Ministry of Colleges and Universities - report of the ministerial task force on economy, efficiency and operational reviews in community colleges.
- g) Ministry of Municipal Affairs and Housing - report of the study entitled "Directions for Auditing in the Local Government Environment".

#3. It is the Committee's recommendation that where Ontario government programs with funding limits exist, program advertising should communicate clearly both the financial (or funding) limits and the time constraints involved.

#4. The Committee recommends that efforts should be made to obtain revenue from unused space which is no longer suitable for government requirements.

- #5. The Committee recognizes that progress has been made by the Ministry of Labour in the prevention of construction accidents throughout the province; however, it recommends that the Ministry seek additional means for increasing the number of staff inspectors in the Construction Health and Safety Branch.
- #6. The Committee believes that there should have been more co-ordination and consultation between the Ministry of Northern Affairs and the participating agencies, at the initial design phase of the Hornepayne Town Centre project.
- #7. The Committee recommends that the Provincial Auditor conduct a follow-up review of the Ministry of Northern Affairs' evaluation of the Hornepayne Town Centre, noting, in particular, the social benefits incurred, and report his findings to the Public Accounts Committee at his convenience.
- #8. The Committee wishes to express concern regarding the delays and increasing costs associated with the O.P.P. telecommunications project. It appears possible that the projected completion date could mean that the project might be out-moded or obsolete at the time of its implementation. Therefore, the Committee recommends that the Ministry of the Solicitor General re-examine the project in light of the above-noted problems, while not precluding the option of cancellation.
- #9. Although a project team was established in 1983 to co-ordinate the O.P.P. telecommunications project, the Committee believes that, with regard to any project of this magnitude, there is clearly a need for an identifiable, responsible individual who, as project manager, is answerable for the co-ordination and evaluation of a project from its inception.
- #10. The Committee commends the Ministry of the Solicitor General and the Ontario Police College for their attempts to conduct operations more economically and efficiently and for their careful attention to the issues raised by the Auditor.

- #11. The Committee believes that the current tuition fee structure at the Ontario Police College appears to be satisfactory in all respects.
- #12. The Committee recommends that the Ministry of Tourism and Recreation make more effort to determine the effectiveness of its advertising by correlating tourist enquiries with sources of advertising, through increased information-gathering procedures and the closer monitoring of telephone calls, travel studies and surveys.
- #13. With regard to the Agency of Record selection process, the Committee recommends that, when the review committee is structured later in 1985, particular consideration be directed to the fact that no apparent conflict of interest exists.
- #14. As a result of the Committee's review of the "Ontario 20" Ethnic Advertising Program, it is the Committee's recommendation that all circulation data, which form part of the cost basis for advertising, be subject to verification by the Ministry.
- #15. The Committee concurs with the concerns raised by the Provincial Auditor that:
- a) there are certain areas where consideration might be given to the possibility of strengthening the role of the Legislature, particularly in the creation of new agencies and subsidiary agencies; and
 - b) with regard to self-funded agencies such as Ontario Hydro and the Ontario Lottery Corporation, which are not subject to Estimates reviews, budgets might perhaps be tabled in the Legislature in advance, or presented to a legislative committee.

The Committee therefore recommends that the Legislative Assembly examine the Provincial Auditor's concerns relating to the accountability of Crown agencies in a forum of its choosing.

- #16. The Committee notes, with approval, the statement made by the Chairman of the LCBO that EDP management training needs would be assessed and considered at a future time.

The Committee recommends that this be done immediately, that measureable training objectives be established, and that an evaluation and assessment of the training program be carried out.

- #17. The Committee recommends that, prior to hiring outside consultants, all ministries should conduct an analysis of in-house capability and define the goals and objectives of the consultations. Once the hiring has been done, ministries should maintain adequate monitoring of the consultants' work to ensure that value-for-money is achieved.

- #18. The Committee believes that the accountability of Ontario Hydro should be strengthened, particularly in light of the Corporation's annual expenditures, and substantial capital and borrowing requirements. The Committee also believes that there should be a suitable forum within the Legislature, for the effective discussion of these issues.

Therefore, the Committee recommends that the government give consideration to the implementation of certain mechanisms designed to ensure Hydro's accountability to the Legislature, the government and the Ontario public. Such mechanisms might include: a pre-Budget examination of Ontario Hydro's finances; an annual review of Hydro's borrowing requirement and its impact on the government's credit rating and contingent liabilities; and/or the re-establishment of a select committee of the Legislature to investigate the affairs of Ontario Hydro.

- #19. The Committee understands that the Ministry of Municipal Affairs and Housing has instituted procedures for ensuring that proper administrative processes are followed in future, and notes that the Provincial Auditor will monitor these procedures.

MINISTRY OPERATIONS

Section 3.2 of the Provincial Auditor's 1983 Report:
Accountability for Transfer Payments

The Public Accounts Committee has long been concerned with various aspects of financial and legislative accountability in Ontario, and the mechanisms that exist to enhance their effectiveness. Accountability has been defined in various ways; however, the following description offers some useful concepts, particularly when viewed in the context of transfer payments within the Ontario government.

Accountability in its simplest terms means the obligation to answer for a responsibility that has been conferred. It presumes the existence of at least two parties: one who allocates responsibility and one who accepts it with the undertaking to report upon the manner in which it has been discharged. The key to accountability is the information made available to the party which delegates responsibility. (Comprehensive Auditing in Crown Corporations, 1980, p. 5).

Accordingly, under Section 3.2 (and elsewhere throughout his 1983 report), the Provincial Auditor has presented an overview of:

- a) the manner in which transfer payments are conferred to major recipients by the Government;
- b) the degree to which recipients are responsible for reporting on their usage of the funds; and
- c) the information generated to support this responsibility and accountability.

For the 1983 fiscal year, transfer payments in Ontario amounted to \$16.4 billion or 73 percent of the Province's total budgetary expenditure. Transfer payments represent: a) funds paid directly to Ontario residents and individuals for services to Ontario residents; and b) funds paid to intermediary organizations (such as hospitals and related facilities, local governments, universities, school boards, etc.) for their provision of services to the Ontario public. About 78 percent of all transfer payments fall into this category.

The government has complete control over those transfer payments made directly to, or on behalf of, the public. Where programs are delivered

through intermediaries, however, the government does not have complete control over the utilization of funds. In these cases, (for example, when funds are disbursed to hospitals), the government must "seek required information and/or assurances by other means if it is to satisfy its responsibility to the Legislature." (1983 Auditor's Report, p. 19).

Due to the magnitude of the funds involved, the Provincial Auditor has expressed the opinion that "... it is the responsibility of the government to assume that the funds provided in the form of transfer payments are well managed, that is, spent with due regard for economy, efficiency and effectiveness." (1983 Auditor's Report, p. 28).

In February 1984, the Public Accounts Committee responded to the Provincial Auditor's concerns by providing for a one-day panel discussion on transfer payments. In attendance were the Deputy Ministers and other senior officials representing the Ministries of Health, Education, Colleges and Universities, Municipal Affairs and Housing, Community and Social Services, Treasury and Economics and Management Board of Cabinet. While the Committee expected a general discussion to evolve, it was particularly concerned about the accountability of the organizations receiving the funds, to the ministries which administer the transfers. In general, the following key questions were addressed:

1. what steps are being taken by organizations to show that they are using the funds in an economical, efficient and effective manner?
2. are ministries able to administer the effectiveness of the programs?
3. should ministries be held accountable for such transfer payments?

A variety of issues were dealt with, some of which are highlighted below.

Audit of Transfer Payments

Transfer payments are subject to a certain degree of audit coverage in conjunction with the Provincial Auditor's attest/compliance auditing of ministry activities. Similar audit coverage may also be carried out by the internal audit branches of the various ministries. In addition,

the Provincial Auditor is empowered to conduct "inspection audits", or examinations of the accounting records of transfer payment recipients. Because there are so many recipients, it is not possible for the Auditor to perform extensive audits. Therefore, it is the Auditor's view that the government should be responsible for the management of funds by grant recipients, and that the impetus for value-for-money auditing should flow from the funding ministries or agencies. The Auditor may then assess the degree to which a ministry has an accountability process in place which demonstrates that the recipient's management of the funds is economical, efficient and effective.

In 1982, Management Board of Cabinet established a senior-level interministerial task force to address the issue of auditing transfer payment recipients. During the Committee's February discussions, the Secretary of Management Board explained the status of the task force.

The task force has made recommendations in three broad areas: improving accountability, broad-scope auditing, and audit co-ordination and consolidation. Recommendations included:

- a) that the accountability framework for each transfer payment program should include clear, mutually agreed-upon objectives and expected results as the basis for improved accountability and effective auditing;
- b) the objectives should include a commitment to economy, efficiency and effectiveness, with broad-scope or value-for-money audits conducted over time, as justified; and
- c) that a greater consolidation and co-ordination of audits be instituted, with a phased, incremental approach to new procedures, and the use of pilot projects to test new concepts.

It is generally recognized that audit is a process that is superimposed on an accountability relationship, to provide assurance that information is appropriately disclosed, and fairly and accurately presented. The Secretary pointed out that accountability relationships among ministries and recipients are extremely diverse, and that each situation must be individually tailored to suit particular needs. The comprehensive basis for the auditing of recipients will be, of necessity, gradual and determined through consensus. Therefore, full broad-scope auditing will not be implemented immediately.

To this end, it has been proposed that ministries establish teams for the purpose of developing consensus on the ways in which to enhance performance measurement and the accountability process. These teams would involve ministry staff, grant recipients, those affected by the services provided, representative associations, and the audit community, including the Provincial Auditor. The ministries will be asked to report back to Management Board on their findings and specific proposals for future action.

Finally, because the greatest potential for better audit co-ordination and consolidation lies in the municipal area, the Ministry of Municipal Affairs and Housing will be requested to assume the role of lead ministry in co-ordinating the timing of individual ministry audits and audit pilot projects.

Accountability for Transfer Payments - Intermediary Organizations

As stated previously, 78 percent of transfer payments are those made to intermediary organizations. The major recipients within the intermediary category are hospitals, school boards, universities and community colleges, and municipalities. Grants to these particular recipients accounted for 63.3 percent of the intermediary category of transfer payments during the 1983 fiscal year.

I. Ministry of Health - Operation of Hospitals and Related Facilities (\$3,428 million)

In Ontario, approximately 220 public hospitals and 130 related facilities receive operating grants. Over 96 percent of the funds, however, go to public hospitals, and therefore, the Auditor's comments applied mainly to those institutions. Operating grants to hospitals and related facilities are authorized under the Health Insurance Act and its regulations.

The Ministry of Health has instituted several mechanisms to review and approve allocations to hospitals and to monitor related expenditures. The Deputy Minister of Health emphasized that while the Ministry provides funding assistance for most hospital services, it

is not directly involved in the delivery of those services. Public hospitals are managed by boards but the Ministry is responsible for ensuring that services and funds are provided, and for co-ordinating an overall health care system. The Ministry receives audited financial statements and other statistics from hospitals, which it compiles and publishes in annual reports. The Provincial Auditor has access both to the financial statements of hospitals and the Ministry's records. All hospital audits are conducted by outside public accounting firms.

The annual reports contain financial and statistical information for every hospital in Ontario and are distributed to every hospital. Recent computer profiles are also supplied to each hospital. They compare a hospital against its own performance over a three-year period, and its current year performance against that of its peer hospitals. Ontario, in co-operation with other provinces, is developing a standard management information system for the nation's hospitals.

Over 200 public hospitals are accredited by the Canadian Council on Hospital Accreditation in Ottawa. This process determines whether hospitals meet standards established by the Council in such areas as the care of patients, organization and administration, staffing facilities, equipment and quality assurance. The accreditation process is a broad performance indicator, the participation in which is voluntary. The Provincial Auditor has suggested that all Ontario hospitals obtain accreditation status.

In addition to the accreditation process and the large volume of information received by the Ministry, there are additional performance indicators designed to assure the Ministry that operating grants are spent with due regard for economy, efficiency and effectiveness. They also encourage sound resources management and accountability within the hospital sector.

- a) The Institutional Operations Branch of the Ministry oversees the distribution of funds to hospitals and related facilities and conducts detailed reviews of the budgets submitted by hospitals. In addition, the Branch is developing and testing performance indicators and cost profiles from financial and operating data. To this end, the Branch has developed computer programs to group similar hospitals into clusters (a peer-group cluster analysis) for the purpose of comparing performance indicators. The value of these profiles lies in providing a new management tool which will assist the Ministry and the hospitals to identify areas in which opportunities for performance improvement exist.
- b) The Ontario Hospital Association and the Ministry have been developing performance measurement guidelines in order to develop management information. This can then be directly related to the use and cost of hospital resources and new service programs.
- c) The process of funding hospitals and related facilities has been altered with the introduction of the Business-Oriented New Development (BOND) plan two years ago. Under the plan, hospitals are now permitted to retain any annual budget surplus (rather than giving it back to the Ministry), provided the funds are used for improved patient care services.
- d) In 1982, hospitals received a new budget base reflecting amounts actually spent for services during 1981-82. This base is being brought forward to embrace factors such as inflation and increased work loads. For the 1983-84 fiscal year, an overall increase of 10 percent was provided. Currently, nearly every Ontario hospital is operating within budget.
- e) A three-year pilot project called "Case Mix Accounting" is being conducted by the Kingston General Hospital. An analysis based on diagnostic-related case groupings, it is intended to provide a new basis for cost accounting and productivity measurement in hospitals.

- f) Finally, the Ministry established a Comprehensive Audit Steering Committee in 1983 to develop overall strategy and methodology for value-for-money auditing in individual hospitals. The work of the committee is near completion and a guidebook has been made available to hospitals. The Ministry is considering further appropriate action and hopes that comprehensive auditing may point to ways of improving administration, management systems, and financial savings.

II. Ministry of Education - General Legislative Grants, Elementary and Secondary Schools (\$2,661 million)

Conditions governing the payment of general legislative grants are prescribed by regulations made under the Education Act. Grants are received by some 200 Ontario school boards from the Ministry of Education, and education costs are shared on an approximate 50/50 basis between the Ministry and the municipalities.

With regard to accountability for transfer payments to school boards, the Provincial Auditor stated:

In our opinion, it is the responsibility of the Ministry to ensure that grants provided by the Ministry are spent by the school boards to further educational objectives and with due regard for economy, efficiency and effectiveness. This responsibility can be fulfilled by the reporting of results information and an expanded audit role. (p. 44, 1983 Auditor's Report)

The Ministry receives audited financial statements and other statistics from school boards, which are used by the Ministry to assess economy and efficiency of board operations. With regard to the effectiveness of the school system, the Ministry also conducts detailed operational reviews of schools and school boards. On a voluntary basis, forty school boards have participated in these reviews during the past 12 years. The reviews explore the system in terms of objectives and results, reports are presented to the school boards and the Ministry conducts a follow-up study to assess the changes that have been effected. These reviews are also circulated to Members of the Legislature.

The Provincial Auditor recommended that the Ministry develop improved performance measurement indicators from information provided by school boards. It was also recommended that the Ministry examine the role that audit might play in providing independent assurances to school boards and the Ministry regarding economy, efficiency and effectiveness.

Officials from the Ministry pointed out that school boards, as elected bodies, are responsible for providing educational programs to meet the needs of children in the boards' jurisdictions. Although the Ministry has taken steps to ensure that school boards report publicly, the Deputy Minister felt that the spending of grants with due regard for economy and efficiency would apply more directly to the school boards themselves. Speaking before the Committee, he stated:

In making any changes to improve accountability between the government and school boards, it is imperative that we remain sensitive to maintaining a reasonable balance between provincial and local needs and responsibilities in the governance of schools.

It was stated, however, that it may be possible to place more emphasis on accountability through already-established reporting mechanisms, and that the Ministry would welcome ways of using the audit process to enhance economy, efficiency and effectiveness.

III. Ministry of Colleges and Universities - Operating Grants to Universities (\$1,036 million)

Operating grants to Ontario's 22 universities are administered by the University Relations Branch (URB) of the Ministry of Colleges and Universities. The Ontario Council on University Affairs (OCUA) and the Council of Regents advise the Minister on grant funding. Operating grants are distributed to the institutions according to a formula based on weighted enrolments.

The enabling Acts for universities place all management and operational responsibility with the universities. In this connection, the Deputy Minister of Colleges and Universities stated the following in March, 1983:

University governing bodies are, therefore, accountable only to the Legislature for the operation of their institutions. Presumably, this accountability includes the responsibility for ensuring that the universities are operated with due regard to economy, efficiency and effectiveness. However, this aspect of their accountability has never been set out by the Legislature nor has the Legislature established a means to specifically ensure that this responsibility is exercised. (p. 24, 1983 Auditor's Report).

It is the opinion of the Provincial Auditor that, although universities have traditionally operated relatively autonomously, it is the responsibility of the Ministry to ensure that transfer payment funds are managed with due regard to economy, efficiency and effectiveness by the recipients.

The Ministry of Colleges and Universities receives audited financial and enrolment statements from the universities as assurance that grants have been used for operating purposes, and that the weighted enrolment upon which the grants are based, is accurate. These statements are audited by public auditors, appointed by the Boards of Governors. The audits are conducted in accordance with guidelines contained in a Ministry operating formula manual. Audited statements may also be tabled in the Legislature.

The Ministry, while encouraging universities to provide additional data and to conduct regular operational reviews, does not require universities to report on how economically, efficiently and effectively the grants have been utilized.

The Provincial Auditor believes that Bill 42 (An Act to amend the Ministry of Colleges and Universities Act), if passed and proclaimed, may strengthen financial reporting mechanisms between universities

and the Ministry. It does not, however, directly address the issue of management and accountability. Furthermore, the question of whether the universities should be accountable to the Ministry and the government, or to the Legislature directly, remains a significant one.

The Deputy Minister emphasized the importance of university autonomy in an administrative sense, stating that a delicate balance exists between autonomy and accountability. He suggested that the recently-appointed Commission on the Future Development of the Universities of Ontario will examine and comment on the issue of government/university accountability.

IV. Ministry of Colleges and Universities - Operating Grants to Community Colleges (\$394 million)

The Minister of Colleges and Universities, under the Ministry of Colleges and Universities Act, is responsible for the funding and governing of community colleges. Operating grants to some 22 community colleges are administered by the College Affairs Branch of the Ministry. These grants are distributed to the institutions according to a formula based on weighted enrolments. Each college has a Board of Governors appointed by the Council of Regents and responsible to the Minister for the economy, efficiency and effectiveness of each college. In comparison with universities, community colleges are, therefore, somewhat less autonomous in their operations.

Funds for each college are distributed on the basis of student activity in approved programs. Program content is approved by the Minister and enrolment is reported, by program, in an independently-audited statement of enrolment. The basis for the audit is an annual Ministry-approved set of guidelines.

Initially, the only report of financial accountability that colleges were required to submit to the Ministry was the annual audited financial

statement. To-day, under the Ministry of Colleges and Universities Act, each college is required to submit a detailed annual multi-year planning document on all aspects of college operations. These and other management documents are reviewed and assessed by the Council of Regents.

The Deputy Minister informed the Committee that, during the past three years, an analysis of relative productivity in community colleges has been developed. A number of productivity standards have been accepted and implemented by the colleges and a task force comprised of Ministry and college staff is reviewing further standards and guidelines for economy, efficiency and operational reviews. Most colleges are currently conducting their own operational reviews, a practice initiated by both the Council of Regents and individual college administrators. Although this has been occurring since the early 1980s, the reviews are not yet on a scale equivalent to those of the school boards. This is being encouraged, however, and the Ministry is developing further guidelines.

V. Ministry of Municipal Affairs and Housing - Unconditional Grants to Municipalities (\$614 million)

Municipalities receive about \$2 billion in operating and capital grants each year from some 14 ministries. These grants account for over 17 percent of the "intermediary" transfer payments. Of this, a large component consists of unconditional grants, which make no specific provision for the usage of the money by the recipient. These grants are governed by the Ontario Unconditional Grants Act, administered by the Ministry of Municipal Affairs and Housing, and provide assistance for the financing of municipal services. They take the form of per capita grants, resource equalization grants and support grants.

The Deputy Minister of Municipal Affairs and Housing explained the accountability and monitoring mechanisms that exist between local

governments and the Ministry. The Ministry works very closely with local authorities in an attempt to achieve better management and efficiency. It ensures that elected municipal governments have the appropriate structures, legal framework and financial capacity to carry out their duties.

Ten Ministry field offices lend support to the administration and management of municipalities. They also evaluate financial information submitted by the municipalities on an annual basis. The annual consolidated financial reports contain an auditor's report expressing an opinion on the financial position of the municipality and its local boards. In this regard, the Ministry has commissioned a study entitled "Directions for Auditing in the Local Government Environment".

In 1981, the Ministry published an advisory booklet entitled "Performance Measurement for Municipalities". The booklet defines performance measurement as ". . . the quantitative determination of the effectiveness and efficiency of municipal services", and addresses the need for improving management and productivity at the municipal level. The Ministry is also currently supporting a three-year Municipal Action Program, which funds municipal projects that increase cost effectiveness and productivity. Over 400 municipalities have participated in the program.

The Deputy Minister concluded by stating that, essentially, municipalities may use the grants as determined by their elected councils. If there is a problem in a municipality, however, and the local ratepayers feel the need for a public inquiry, the Ministry would intervene and conduct the investigation. In a general sense, it is the role of the Ministry to ensure that all local councils maintain a strong awareness of the importance of good financial management and sound administrative and control procedures, which foster a spirit of accountability to the provincial government.

VI. Ministry of Community and Social Services

For the 1983-84 fiscal year, the Ministry of Community and Social Services will have spent some \$900 million in payments to municipalities and agencies for social service programs, in addition to \$1.1 billion in income maintenance programs on behalf of individual recipients.

Although the Provincial Auditor's report on transfer payments did not specifically refer to this Ministry under Section 3.2, the Deputy Minister of Community and Social Services participated in the discussion on transfer payments at the Committee's request. He explained that his Ministry has several mechanisms in place for monitoring payment recipients: there is a financial audit process for transfer payment agencies; the Ministry conducts operational reviews, which are similar to comprehensive audits, of agencies; and it issues manuals, checklists, guidelines, and letters of understanding to the agencies' boards of directors. These letters outline the operational and management review criteria for financial and program management. Results of the operational reviews are communicated to the Ministry through an audit committee, after which a monitoring process occurs. Reports are made public and are the property of the Ministry.

In 1981, the Ministry introduced a services approach to funding of the children's aid societies. Budget submissions by the societies now include an annual service plan which includes objectives and service targets as well as funding requirements. Agencies are also required to submit quarterly reports on their services and financial performance.

The Ministry has also introduced operational reviews for children's aid societies. These reviews are a broad-based, independent assessment of the organizations' operational management, program management practices and financial systems. Reviews have been undertaken, or are in progress, at 41 out of the 51 societies, and will be used as a basis for the application of comprehensive audit methodology. In the event of default or wrong-doing, the Ministry has the power to impose penalties or to take over an agency if there is just cause.

Comments and Conclusions

The Auditor noted that the Task Force on the Auditing of Ontario Government Transfer Payment Recipients supports the belief that the government should assume responsibility for assuring that the funds provided in the form of transfer payments are well managed.

While the accountability process requires improvement, the Auditor praised such efforts as the performance measurement of municipalities by the Ministry of Municipal Affairs and Housing, and the pilot studies relating to the operation of hospitals. He noted that, from an audit standpoint, the most prominent references to autonomy with respect to transfer payment recipients was occurring within the education field.

The Deputy Minister of Treasury and Economics emphasized the deeply-entrenched tradition of decentralization within the Ontario government. Therefore, although the government wishes to improve the situation with regard to value-for-money and accountability, a balance must be maintained, to preserve the particular strengths and traditions built into the system over time. He concluded, however, that universities, hospitals and municipalities are all creatures of legislation; therefore, the Province has an overriding responsibility to make sure the system is in place and operating efficiently.

In the event that the system should break down at some point, most ministry officials believed that there were internal sanctions in place to deal with this, and to discourage its reoccurrence. Internal guidelines, government compliance supervision and monitoring, legislative authority, and audit trails are all mechanisms viewed to be effective in this regard.

It was generally recognized that it will take some time to address adequately all the issues inherent in the area of transfer payment accountability. Several of these issues involve broad policy questions. A significant example of this is the autonomy of Ontario universities and to whom they should be held directly accountable - the Legislature or the Ministry, or both.

It is anticipated that, over time, these policies, together with practical methodologies, will gradually evolve, and those already in existence will be strengthened.

COMMENT:

#2. During the Committee's review of transfer payments, it was noted that there were several ministerial reports outstanding, or in progress. It is the wish of the Committee that these reports be reviewed by the ministries as they become available. Subsequently, the appropriate ministerial responses to these reports will be reviewed by the Committee. Specifically, these reports are:

- a) Management Board - Task Force on the Auditing of Ontario Transfer Payment Recipients.
- b) Ministry of Health - report of the Comprehensive Audit Steering Committee for establishing value-for-money auditing in individual hospitals.
- c) Ministry of Health - report of the three-year pilot project on "case mix accounting" in individual hospitals.
- d) Ministry of Education - operational reviews of school boards.
- e) Ministry of Colleges and Universities - report of the Commission on the Future Development of the Universities of Ontario.
- f) Ministry of Colleges and Universities - report of the ministerial task force on economy, efficiency and operational reviews in community colleges.
- g) Ministry of Municipal Affairs and Housing - report of the study entitled "Directions for Auditing in the Local Government Environment".

Section 3.4 of the Provincial Auditor's 1983 Report:
Inadequate Planning re Ontario Farmstead Improvement Program,
Ministry of Agriculture and Food

The Ontario Farmstead Improvement Program was announced by the Treasurer of Ontario on May 13, 1982 and was officially terminated on July 30, 1982. Under the Program, \$5 million was allocated by Treasury to create jobs in farming communities by providing grants to farmers for farm improvements. Grants covered 50 percent of an eligible farmer's expenditures to a maximum of \$2,000 per farm operation. The Program was funded by the Board of Industrial Leadership and Development (BILD) and was administered by the Ministry of Agriculture and Food.

When the Program was terminated after two-and-a-half months, grants totalling about \$13.3 million had been committed to the end of the 1983 fiscal year. The BILD transfer payment of \$13,334,559 for the Program is recorded in the 1982-83 Public Accounts for the Ministry of Agriculture and Food, Vote 1902, Item 4.

The Auditor's assessment of the Program focused on two major areas: program planning and management, and the measurement of program effectiveness. The Auditor's main conclusion was that the Ministry did not plan and manage the Program with the intent of limiting expenditures to the \$5 million originally allocated. While the Auditor recognized that the Ministry was operating under tight time constraints, he felt that the Ministry underestimated both the acceptance rate and the total cost of the Program.

Furthermore, the Auditor pointed out that Program advertising clearly indicated a December 31, 1982 deadline for applications and confusion resulted when the \$5 million allocation target was reached in just a few weeks. The farming community was suddenly informed of a revised deadline of July 30, 1982. This was issued to the press on July 26, 1982. When the farming community learned of the new deadline, \$10.7 million worth of applications were filed in this one-week period. This was in addition to some \$11 million filed prior to July 21, 1982. Many farmers complained to the Ministry, saying that they thought they had until December 31, 1982 to apply.

In view of this confusion, the Auditor recommended that where programs are established with a clear funding limit, the Ministry should communicate this clearly in its advertising. He noted that procedures for measuring the Program's effectiveness in creating short-term jobs were well-designed and properly reported to Management Board of Cabinet. In terms of reporting the results of the Program to the public, however, an article in the August 1982 issue of the Ministry's "Agri-Notes" presented misleading information. The article stated that the Program had resulted in more than 217,000 days of work (or 3,600 jobs) and had created \$54 million worth of farm improvement projects. In reality, these figures were based on applications (of intent) filed by July 30, 1982 and most of the projected costs had not been expended at that time. The Ministry publication figures represented the maximum "potential" Program results. The Auditor suggested that this should have been made clear to the public.

The Deputy Minister and other officials from the Ministry of Agriculture and Food responded to questions posed by the Committee on this issue. It was explained that, from the beginning, it was recognized that such an attractive program might over-run the allocated \$5 million budget, and within two weeks of announcement, it was meeting this goal very quickly. The Ministry decided, however, to continue the Program for two and a half months and in retrospect, felt that the jobs and economic activity generated by the Program justified this approach. It was explained that the original \$5 million was provided by BILD, who subsequently provided an additional \$2 million. The additional \$6.3 million came from internal sources within the Ministry of Agriculture and Food. Specifically, the Ontario Farm Adjustment Assistance Program (OFAAP) was reduced by \$2 million, and the Tile Drainage Program by \$2 million. A further \$1.9 million was provided from general funds, and OFAAP contributed an additional \$0.4 million to complete the required amount.

The Deputy Minister pointed out that 10,860 applicants received assistance for over 14,000 different projects. The average value of the grants was \$1,227 per applicant - a little over half of the amount possible. The average investment made per applicant was \$3,232. Provincially, the total investment was over \$35 million and over 1.5 million man-hours of work resulted. All the grants have now been paid.

While the Ministry did not agree that the Program exhibited poor planning, it did admit that there was a good deal of uncertainty surrounding the anticipated success of the Program and that once it began, it progressed extremely quickly. The Ministry also agreed that there was some misunderstanding regarding the application date. Despite the sudden termination date for applications or notices of intent, the Ministry was of the opinion that everyone had the opportunity to participate. Ministry officials agreed with the Provincial Auditor, however, that funding for assistance programs should be included in program advertising and announcements, and that the August 1982 Ministry publication should have clarified that the figures reported were based on notices of intent (applications) and therefore represented the maximum potential results.

RECOMMENDATION:

- #3. It is the Committee's recommendation that where Ontario government programs with funding limits exist, program advertising should communicate clearly both the financial (or funding) limits and the time constraints involved.

Section 3.5 of the Provincial Auditor's 1983 Report:
Inadequate Monitoring and Reporting Procedures re
Provincial Allowances and Benefits,
Ministry of Community and Social Services

The Provincial Allowances and Benefits Program of the Ministry of Community and Social Services is designed to assist the long-term economically disadvantaged in maintaining a reasonable level of income relative to economic trends. The Program also helps people to find employment, thereby minimizing the number of people requiring assistance. The Ministry delivers the program through a network comprised of the head office, four regional offices, 13 adult area offices and 70 local offices. As of June 30, 1983, there were 520 case workers and 130,000 active cases. Each case worker handles an average of 250 cases.

Payments are made under the authority of the Family Benefits Act and related regulations. Under the Canada Assistance Plan, the federal government shares in 50 percent of the costs. Provincial allowances and benefits are administered through the Income Maintenance Programs Unit of the Ministry. For the 1982/83 fiscal year, the total amount spent on Income Maintenance under Vote 3102, Item 4, was \$1,028,619,644. Of this amount, \$613,618,801 was spent for Provincial allowances and benefits, in the form of transfer payments.

Under Section 3.5, the Auditor dealt with matters pertaining to: a) case monitoring; b) benefit file maintenance; and c) overpayments. He concluded that:

- monitoring and reporting procedures by regional and area offices were weak;
- 25 percent of the case files at two local offices displayed incomplete documentation, and over 10 percent of the 130,000 active cases did not have current documentation on file; and
- from 1981 through 1983, overpayments recorded on active cases averaged about two percent of the total payments made for each year. As of March 31, 1983, overpayments for active cases were \$19 million, and \$37 million for inactive cases. (During the 1983 fiscal year, it was later learned, recoveries on these cases amounted to \$4,683,049 and \$722,597 respectively.)

The Deputy Minister of Community and Social Services appeared before the Committee to discuss these issues.

The Auditor expressed the view that it was essential that case worker files and decisions be properly monitored, to ensure fair application and entitlement of payments. The Deputy Minister agreed that, at the time of the audit, weaknesses did exist in the system, primarily because the program was undergoing a major shift from a centralized program to decentralized delivery through area offices. Since then, a number of mechanisms have been (or are being) implemented to enhance internal monitoring of case files.

One important mechanism is a new comprehensive income maintenance system (CIMS) -- an automatic data-processing program -- which will produce a series of managerial reports to provide for a closer monitoring of case loads. Since the audit, review officers for monitoring the program have been appointed across the province. A new Ministry training package is being developed to improve the quality of supervision and ensure consistency in training of family benefits allowance case workers. Four program officers at head office will monitor program directives and review the collection of overpayments. The new computer system will integrate the general welfare and family benefits case loads, which will greatly enhance case monitoring, case file maintenance and prevent overpayments from occurring, to the fullest extent possible.

The Committee was concerned about the overpayments to, and recoveries from, recipients. The Deputy Minister pointed out that the onus lies with the recipients of family benefits allowances to report any changes in their personal circumstances which might affect their eligibility for benefits. If there is a delay in reporting such changes, an overpayment can occur. The introduction of the CIMS and the new staff positions of eligibility review officers should help this situation. The Ministry recognized that overpayments are of concern; however, the Deputy Minister felt that an overpayment level of two percent under the total program was not unreasonable.

Furthermore, he emphasized, recoveries of those overpayments are gradually being made as more accounts are investigated. During the last 15 years, over \$5.2 billion has been paid out in family benefits. Of this, \$57 million comprises the overpayment, of which \$37 million is long-term (on inactive cases) and some \$20 million is current (on active cases). It is easier to recover overpayments from the active files - people who are actively and currently receiving benefits-and the Ministry is realizing some \$4 to \$5 million a year from these sources. For the inactive files (those people who transferred out of family benefits to another pension fund, but did not report the change), it becomes more difficult to trace and recover the overpayments. The Ministry is investigating some 733 such inactive cases.

Despite the efforts of the Ministry, some of the overpayments will not be recoverable. From 1980 to 1983, \$3.8 million was written-off as uncollectible. Administrative and clerical errors within the Ministry account for about 25 percent of this amount. In these cases, neither the recipients nor the employees involved are penalized in any way.

Most cases of overpayment arise through simple inadvertence or oversight on the part of recipients. A minor percentage is due to fraud and misrepresentation. It was estimated that alleged fraud may account for some \$2 million a year. If fraud is suspected, the O.P.P. or local police jurisdictions are called in.

During the past two and a half years, the recession has created economic problems and families have suffered. This has produced both an increase in case loads and the necessary addition of case workers. In 1981, the case load increased by 7.6 percent; in 1983, by 31.6 percent. The Deputy Minister emphasized that the Ministry is attempting to handle the increased work load and growth in the system in the most efficient and effective way possible.

Section 3.8 of the Provincial Auditor's 1983 Report:
Operating and Other Deficiencies,
Environmental Control Program,
Ministry of the Environment

During the 1983 fiscal year, an audit was conducted of the Plant Development and Construction, and Plant Operations Activities under the Environmental Control Program at the Ministry of the Environment. Expenditures for these two Activities represent 71.9 percent of the Ministry's total expenditure. The major portion relates to the construction and expansion of municipal sewage and water treatment plants.

Under the Environmental Control Program (Vote 2103), expenditures of the Plant Development and Construction, and Plant Operations Activities for the 1983 fiscal year, were \$183.4 million and \$62.2 million respectively.

The major findings resulting from the Provincial Auditor's review were:

- deficits under many service agreements were much higher than forecast, and therefore, may prove uncollectible;
- the accounts receivable system for utility service rate charges was time-consuming and inaccurate; and
- there were delays in the reimbursement of significant costs to two regional municipalities for operating water and sewage treatment facilities.

The Deputy Minister and Executive Director, Finance and Administration, from the Ministry of Environment responded to these issues before the Committee.

Utility Service Rates

With regard to utility service rates, Ontario has entered into agreements with municipalities to provide them with water and sewage service. Under these agreements, the Ministry sets rates and conducts periodic, cyclical reviews to recover the cost of providing the services.

The Auditor noted that the net deficit for these projects was \$50 million as of March 31, 1981. (For 1984, the figure has risen to \$103 million.) For many projects, deficits were increasing because forecasts of revenue, based

on population growth, had been overly optimistic, and inflation had not been a factor used in forecasting operation costs. Also, interest charges on accumulated deficits were sometimes higher than forecast. (Currently, interest charges represent a significant size of the deficit account). Interest rates are fixed annually by Treasury, and are generally based on the average of the previous year's Provincial borrowing rate. The Auditor was concerned that if deficits continued to accumulate, they may become an excessive burden to municipalities, and thus become uncollectible.

Ministry officials emphasized that this problem was one of highest priority. It was pointed out that in 1981, when there was a \$50 million dollar deficit, the total spending by the government on sewage and water treatment projects was \$470 million. Currently, that figure stands at \$1.2 billion. Therefore, the relationship between the deficit and the spending level in 1981, and that of March 1983, is about the same.

An amendment to the Ontario Water Resources Act has been passed that will more effectively deal with escalating deficits on Provincial water and sewage systems. Under the 1983 legislation, the following changes are being implemented:

- beginning in 1984, municipalities are being billed on the basis of a fixed annual charge, rather than a volume basis. This affects all systems except those serving more than one municipality where service charges will continue to be billed on a volume basis;
- to facilitate municipal budgeting, the fixed annual charge may be paid in equal monthly installments; and
- beginning in 1984, the rates of payment will be reviewed on an annual basis rather than on a cyclical basis.

In addition, certain administrative changes include the refinancing of the outstanding debt and deficit to term loans for municipalities which are not experiencing population growth. A number of municipalities have appealed their service charges. These matters come before a Cabinet Committee on legislation and a separate Ministerial committee.

Accounts Receivable

The Capital Financing and Revenue Branch maintains accounts receivable due from municipalities for water and sewage services. As of March 31, 1982, accounts receivable totalled \$16.05 million, \$5.5 million of which was more than 90 days overdue. (By March 31, 1984, this was reduced to \$4.1 million.)

Ministry officials reported that weakness in the accounts receivable system, which had resulted from inadequate accounting machines, have now been rectified. A \$50,000 computerized system became operational in April 1984. Monthly itemized statements are now produced and are mailed to all municipalities. Close monitoring of delinquent accounts is maintained. Any municipalities which have difficulties in paying the monthly charges will be visited by staff to assist them in reviewing and updating user by-laws.

Reimbursement of Operating Costs

Some municipalities operate provincial plants, and are reimbursed for costs. Two such regional municipalities are connected with the York/Durham sewage and water facilities. Under their agreements, the operating budget for the calendar year is to be paid to each municipality in quarterly installments during each fiscal year.

The Auditor found that, for fiscal 1982, the quarterly amounts were not all paid, and that certain funds applicable to 1982 were paid and charged in fiscal 1983. It was also discovered that one quarterly payment of \$264,500 was made to the wrong municipality. Neither the municipalities involved nor the Ministry appeared to be aware of this situation at the time. The Auditor recommended that the Ministry establish internal audits of these costs.

The Ministry responded that the reimbursement of costs to these two municipalities has now been fully rectified. The mistake in reimbursement

was due to a clerical error, primarily because the municipalities were not, at that time, submitting invoices. Municipalities are now required to issue invoices to the Ministry on a quarterly basis, which should eliminate delays or errors in payments. It was also reported that the Ministry's Management Audit Branch conducted an audit on the operating activities for the year ended March 31, 1982, of the York/Durham Sewage System. No serious deficiencies were identified.

Section 3.9 of the Provincial Auditor's 1983 Report:
Lack of Economy and Efficiency re Provision
of Accommodation, Ministry of Government Services

The Provincial Auditor examined the extent to which economy and efficiency were observed by the Ministry of Government Services, in the construction of government-owned accommodation. He reviewed a number of projects which had experienced construction delays, ranging from several months to several years, or had been completed, but were deemed unsatisfactory in that they were non-functional or dysfunctional. These projects were discussed with district and regional management and corrective action is being taken, where warranted. The Auditor's review presented discussions and recommendations for the following projects:

- a) conversion of boilers from steam to hot water at a Centre for the Developmentally Handicapped in Gravenhurst;
- b) relocation of portable buildings to a Centre for the Developmentally Handicapped (Pineridge, Aurora);
- c) retrofitting a regional office and garage to effect energy conservation in Sudbury;
- d) installation of an energy conservation system at a Centre for the Developmentally Handicapped (Pineridge, Aurora);
- e) renovation of washrooms and main entrance to a Centre for the Developmentally Handicapped (Pineridge, Aurora);
- f) landscaping at a Centre for the Developmentally Handicapped in Gravenhurst; and
- g) installation of an energy conservation system at an Adult Occupational Centre, Edgar, Ontario.

In addition to these projects, the Auditor noted a situation whereby the Ministry was committed to unnecessary expenditures as a result of leasing certain accommodation which was in excess of requirements. The accommodation was for the Ontario Securities Commission, which was expecting a significant increase in staff complement. Management Board did not, however, approve the increase and from June to October 1982, the leased premises remained unoccupied. The total rental for the period was \$511,000 and delays in the construction of leasehold improvements caused a further increase of \$25,000, attributed to increased costs for materials and labour. Management Board's approval procedures for entering into lease agreements have since been revised and should prevent similar occurrences.

The Deputy Minister and Assistant Deputy Minister of Accommodation appeared from the Ministry of Government Services (MGS) before the Committee.

The Deputy Minister explained that, during 1982-83, the Ministry was involved in some 2,500 construction projects, for which over \$200 million was spent. MGS is involved with a large number of clients - some 22 ministries and over 30 agencies, boards and commissions. Because of the wide variety of projects, and project requirements, the Ministry relies heavily on the use of the private sector to conduct the design and engineering specifications of the construction projects. Thus, in 1982-83, MGS commissioned some 175 architectural and engineering consultants to perform the necessary work, and the degree of control over these consultants should be regarded in light of proven workload statistics. Of all the projects carried out, 75 percent have been completed on time.

Ministry officials stated that some of the projects cited by the Auditor demonstrated a lack of communication among head office, field offices, engineering consultants and contractors. They pointed out that MGS has recently taken steps to decentralize, and to delegate more authority to the local and regional offices. This has resulted in better on-site communication and improvement in service, generally.

The Committee was interested in the Ministry's methods for evaluating contractors on an up-to-date basis. It was explained that the Ministry has a list of some 50 contractors who have performed unsatisfactorily. They have been suspended and are not acceptable for the tendering process for a period of one year. If, after a year, poor performance is repeated, they are disqualified for longer periods of time. The Ministry has an ongoing process in place for monitoring the records of contractors' performance. In terms of inspection procedures, the appointed engineering consultant essentially assumes total responsibility for the project, which includes field supervision and contract administration. Field inspection reports are submitted to the Ministry.

The Ministry may terminate a consultant's contract anytime and the consultant would be paid up to the termination date. If a contractor fails to

perform, a warning is given, and if necessary, the contract is terminated. If no performance bonds are involved, the Ministry will hire another contractor or complete the project with Ministry staff. One of the projects cited in the Auditor's report was completed in this manner. It was estimated that termination of contracts may occur from 15 to 20 times a year.

With regard to the Ministry's leasing of office space, the Deputy Minister stated that the Ministry has been reducing space significantly for ministries that have been consolidated, thereby saving leased space costs. Leasing costs have escalated dramatically in recent years, and the Ministry has been moving quickly in an attempt to reduce this financial impact. Government space has been reduced by about 12 percent. When the Ministry of Municipal Affairs and Housing was consolidated and relocated to College Park in Toronto, its space was reduced by some 18 percent. This represented some very significant cost advantages.

MGS owns over 9,200 buildings in the province. It rents space under some 1,500 leases and has an additional 1,500 leases under which space is let to other parties. For 1984-85, its leasing budget estimate is around \$92 million.

The Committee requested an estimate of the accommodation cost/benefits of the moves of OHIP to Kingston, and of the Ministry of Revenue to Oshawa. In a letter to the Committee, the Deputy Minister provided this information. In 1984/85 dollar terms, the accumulated differences in accommodation costs and offsetting savings/cost avoidances for both projects are as follows:

Kingston (net cost)	- \$17.7 million
Oshawa (net savings)	- \$ 3.4 million

The net cost of the Kingston project is mainly attributable to relatively low lease costs of space previously occupied in Toronto. The figures do not take into account program delivery costs or the benefits that derive from changes made possible by the consolidation of staff at one location and the significant improvements in accommodation and facilities arising from the moves.

The Committee asked whether the Ministry had considered using the Ontario Hydro space in the Lennox Generating Station outside Kingston for government office accommodation. The Administrative Building at Lennox has been available for a 10-year lease term since January 1, 1984; however, there are currently no government plans to occupy the building. It is viewed as being too remote and inaccessible for the major administrative requirements of the government throughout the area.

Finally, the Ministry of Community and Social Services was relocated and consolidated from its office on Riverside Drive to new leased premises in the Rideau Centre, in Ottawa. This was accomplished, however, after some \$50,000 in tenant improvements and renovations had been made to the Riverside Drive location, from October 1979 to February 1984. The Ministry offices were relocated because the Riverside Drive building was deemed unsuitable to the client program delivery needs, and the Riverside Drive leases were cancelled effective the end of February 1984. The Ministry now occupies three floors at 10 Rideau Street, the rental for which is \$300,000 per year. Tenant improvements cost about \$100,000. Certain Members of the Committee questioned the necessity, the timing, and the economy of the move.

RECOMMENDATION:

- #4. The Committee recommends that efforts should be made to obtain revenue from unused space which is no longer suitable for government requirements.

Section 3.10 of the Provincial Auditor's 1983 Report:
Accountability Process re Operating Grants to Hospitals,
Ministry of Health

Operating grants in the form of transfer payments to hospitals and related facilities totalled \$3.43 billion for the 1983 fiscal year. The Provincial Auditor conducted an audit to assess the management controls and information system relating to the economy, efficiency and effectiveness of such grants. The Deputy Minister and other officials from the Ministry of Health responded to questions from the Committee concerning the issue of accountability for operating grants. Much of the information generated had previously come to light during the Committee's deliberations regarding transfer payments (based on Section 3.2 of the 1983 Auditor's Report). However, the session was informative and highlighted an important field of activity.

Under Section 3.10, the Auditor's conclusions were summarized as follows:

- several initiatives had been (or were being) implemented to strengthen the management controls and information systems over such operating grants;
- a data base of hospital financial and operating statistics was being established to provide current information on hospital finances and operations;
- budget review procedures have been documented for the 1984 fiscal year, and budgets are being subjected to detailed review; and
- groupings of similar type hospitals, together with extensive performance indicators, are being established to provide statistics for peer evaluations.

In addition to these initiatives, the Deputy Minister of Health outlined other measures related to performance measurement systems in hospitals.

The Ministry of Health has been working with the Ontario Hospital Association to develop clinical and departmental performance measurement guidelines for use in Ontario hospitals. The Ministry has also launched, and is supporting, two research projects, with grants of \$250,000 each, at Kingston General Hospital and University Hospital in London. The hospitals are engaged in developing sophisticated management information

procedures. Kingston General is conducting a "case mix analysis" based on diagnostic-related groupings and University Hospital is using patient-classification systems as the basis for measurement of work activity in the hospital.

In 1983, the Ministry established the Comprehensive Audit Steering Committee to develop an overall strategy and a methodology for the audit approach in hospitals. As a result, a book entitled "A Guide to Comprehensive Auditing in Hospitals" has been developed, and is being tested in four Ontario hospitals. A steering committee has been appointed to oversee the trial implementations, and includes representation from the Provincial Auditor's office. When the evaluation is completed, the Ministry will finalize the guidebook.

In terms of hospital budgets, an adjustment was made in the 1982 budget base, reflecting the actual 1981 spending on the basis of work loads, actual and potential service growth, and inflationary provisions. With the introduction of the Business-Oriented New Development program (BOND), hospitals are allowed to retain any excess of revenue over expenditures, but will be responsible for deficits. This has encouraged hospitals to manage their resources more effectively. To illustrate the effectiveness of new budgets and the BOND program, it was pointed out that in 1981, some 160 hospitals were operating with deficits. Today there are about 11.

The Auditor noted that the increased intensity of the budget review process and peer group computer evaluations should greatly enhance the accountability relationship of the Ministry to the Legislature, and of hospital management through its Board to the Ministry, in the economy and efficiency of program delivery. The Ministry has plans for strengthening the monitoring of hospital operations, and feels that further development of computerized systems should provide for even greater improvements in the transfer payment system.

Section 3.11 of the Provincial Auditor's 1983 Report:
Strengthened Collection Procedures Needed re OHIP Group Billings,
Ministry of Health

This section of the Auditor's Report contained an assessment of the policies and procedures in place during the 1983 fiscal year, regarding the collection of Ontario Health Insurance Plan (OHIP) group premiums by the due date. Participation in OHIP is on a group or direct-payment basis. Group premiums apply when there are 15 or more employees on one payroll, or where six to 14 people on a payroll are enrolled by their employer. OHIP is also available on a voluntary basis to professional groups and associations. Under the Health Insurance Act, premiums are due three months in advance of the period to be covered.

Premiums paid by some 35,000 groups registered with OHIP account for about 85 per cent of the total premium revenue. At the time of the audit, monthly premiums were \$27 for a single person and \$54 for a person with one or more dependents. Premium revenue for the 1983 fiscal year was \$1.37 billion (p.4-208, 1982-83 Public Accounts). About \$1.2 billion comes from the collection of group premiums and involves about 400,000 billings annually.

In his review, the Provincial Auditor noted that: a) because group billings were not issued until payment of the prior month's billing was received, any delinquent groups caused delays in billing; b) the Province was losing interest revenue because the value of premiums unpaid at each month-end was excessive; and c) because delinquent groups are not penalized for late payment, there was no incentive to pay by the due date.

The Auditor stated that several factors had contributed to delays in payment of group billings. These involved the relocation of OHIP operations to Kingston in the summer of 1982, the introduction of an automated billing system, and weak follow-up by OHIP staff on delinquent accounts. The Deputy Minister of Health and other senior officials from the Ministry addressed these issues before the Committee.

The Deputy Minister explained that the transfer of the group billing activity was one of the most sensitive and difficult operations in the relocation from Toronto to Kingston in 1982. The group transfer was undertaken in four phases, with the last group files transferred on August 9, 1982. The 35,000 groups represented a monthly income of about \$96 million; therefore, each transfer phase involved approximately 8,750 groups with a monthly revenue of \$24 million. During this period, because of the time delays with the shift in work loads to Kingston, the lack of previous experience on the part of new staff members and delays by the Post Office in Kingston, the rate of group collections was not sustained.

At the time of the Provincial Auditor's review in January of 1983, the Committee was told, the situation had stabilized and since that time, there has been significant reduction in the outstanding collections. The Auditor had found in January 7, 1983 that \$15.2 million in group billings had been outstanding for one month to three months. This represented a loss in interest to the Treasurer of \$198,000. By January 7, 1984, collections were improving and catching up, so that the interest charges had been reduced to \$53,000, one-quarter of the figure at the time of the audit. The Ministry believed that this showed significant improvement in overall system changes.

With regard to delinquent payments, it is usually the smaller group employers who cause more problems because they do not have the efficiency of large personnel departments to handle the paperwork. The Ministry stated that problems in this respect were minimal and that no one group was deliberately withholding payments. Currently, Treasury is reviewing this situation to determine if a system of penalty or some policy change is required.

During the latter half of fiscal 1982-83, and continuing on an on-going basis, methods of improved revenue collection, which include the manual issuing of multiple billings for delinquent payments, have resulted in an improved system generally and reductions in accounts receivable.

Section 3.12 of the 1983 Provincial Auditor's Report:
Potential for Operations Improvements,
Construction Health and Safety Branch, Ministry of Labour

The Construction Health and Safety Branch of the Ministry of Labour is designed to encourage construction employers and employees to prevent occupational hazards in the construction work place. To this end, the Branch employs some 76 inspectors who inspect construction projects throughout Ontario. The Branch administers the Occupational Health and Safety Act and ensures compliance with the legislated standards through consultation, inspection, investigation and enforcement activities.

The Branch expenditure for the year ended March 31, 1983 was about \$4.6 million, of which \$4.0 million was related to payroll (salaries and wages, and employee benefits). This financial information is shown in the 1982-83 Public Accounts, under Vote 2304, Item 2. The Branch has a staff complement of 114, with 16 managers and three administrators who are responsible for each of three regions: the western, central and northeastern region.

The Provincial Auditor raised several issues and concerns with regard to operations of the Branch. He concluded that, in certain instances, the Branch was operating in isolation and that additional economy could be achieved. Also, although performance statistics reported from the field were reasonably good, the Auditor felt that Branch management was not fully utilizing this information nor following up on apparent problems. The Auditor's major findings in support of this conclusion were:

- computer reports produced by the Systems Development Services Branch were not being utilized;
- the Branch was not making effective use of information available from the Construction Safety Association of Ontario (CSAO); and
- duplication of effort was evidenced by the fact that the Branch was manually preparing reports that were being generated automatically by the Systems Development Services Branch.

The Deputy Minister of the Ministry of Labour, and senior staff from the Ministry's Occupational Health and Safety Division, appeared before the Committee to address these issues. At the outset, the Deputy Minister took exception with several of the Auditor's remarks, stating that some of them

were "based on what we believe to be an imperfect understanding" of the operations of the Branch.

With regard to the issue of non-utilization of computer reports, the Deputy Minister pointed out there are four types of computer reports produced by the Systems Branch of the Ministry. These are the monthly field activity report, the monthly report on construction projects, a quarterly employer accident report and a monthly active projects report. According to the Deputy Minister, they are used mainly by senior management for the purpose of mid-and long-term strategic planning, and are well utilized by Branch management, contrary to the Auditor's observations, which noted that these reports were either outdated and/or inaccurate by the time they reached management.

The Deputy Minister agreed that although there may be a two or three week delay in the processing of the reports, and that there may be problems relating to management communication, this does not mean that the information is outdated or of little use to senior management. A needs-review is currently being conducted by a new program evaluation unit, which is exploring various aspects of the computer system. It was indicated that the review, when completed, could be tabled with the Committee.

A second major area of concern was that the Branch was not making effective use of information available from the Construction Safety Association of Ontario (CSAO). The CSAO maintains an updated computer data bank of information on every Workers' Compensation Board "lost time" accident in Ontario. The Association will provide such detailed information at any time free of charge. The Auditor felt that these data could be better used by the Branch to identify problems, set priorities and schedule inspections.

The Deputy Minister stated that some CSAO material could perhaps be used by the Branch to a greater degree. He pointed out, however, that the purpose of the CSAO is largely promotional in nature, and the data it gathers on particular employers is confidential. Therefore it is of limited use to the Ministry. Furthermore, the jurisdictions of the two agencies differ, and some of the CSAO cases do not come under the Branch's purview.

The third issue involved duplication of effort regarding the reporting of accidents. Accidents in workplaces under the jurisdiction of the Worker's Compensation Board, resulting in disabilities, are reported on an "Employer's Report of Accident" known as a "Form 7". These forms are routinely distributed to the Ministry's Occupational Health and Safety Division. The Construction Health and Safety Branch, in turn, forwards the forms to its appropriate district offices. The Auditor was informed, however, that these forms were not being used by district inspectors because they were not received on a timely basis. He suggested that the timely distribution of these forms could be enhanced if all the information was compiled in a monthly report by the Ministry.

The Deputy Minister believed that the Auditor's views demonstrated a misunderstanding of how the Form 7s are handled. The Occupational Health and Safety Act requires the notification of all accidents resulting in fatalities or critical injuries within 48 hours. Thus, the Ministry is notified within this time frame. Employers also inform the Branch directly of all lost time injuries, through direct submission of copies of Form 7s, which are also sent simultaneously to the Board.

It was pointed out that the Form 7s are monitored and checked by the Ministry to determine which employers are complying with the provisions of the Act. From the arrival of the Form 7s at the Ministry's Standards and Programs Branch to the time they are received in the field, nine weeks has elapsed. If, as the Auditor suggested, the same information were obtained via computer tape produced by the Workers' Compensation Board, the process may only take only six weeks. However, it was emphasized that the taped material does not contain all the information on the Form 7s; therefore, it would not be as useful, and the time saved would not justify relinquishing the Ministry's monitoring and checking system. The Ministry will, however, continue to assess the procedure regarding its effectiveness or potential for improvement.

With regard to the reporting of accidents, the Committee suggested that more inspectors are needed in order to increase the accident prevention system in the province, and prevent accidental deaths. The Deputy Minister

pointed out that, statistically, Ontario's record in accident frequency has been good; however, there continues to be a shortage of inspectors to monitor and spot-check every work place. It was emphasized that when provincial construction inspection began in 1973, there were 54 fatalities. In 1983, there were 24 fatalities on construction sites in Ontario.

The Committee requested an analysis of the 24 fatalities, segregating those due to human error from those resulting from inadequate inspection or faulty equipment. It was stated that all were due to human error. They involved falls, collapses of structures, cave-ins, etc. The Committee requested the number of charges laid in the 24 deaths, and whether the charges were laid against the company and/or the supervisor in charge of construction. The Committee was informed that, as of April 1984, charges had been laid with respect to three cases - one against the manager of a project, two charges against an employer who was fined \$5,000, and one against both the employer and supervisor involved. In four other cases, a decision to prosecute was pending and in the remaining 17 cases, decisions were made, for various reasons, not to prosecute.

The Committee wished to determine how the Ministry uses the information generated from accidents to prevent their reoccurrence. It was explained that all construction fatalities involve a coroner's inquest. Upon recommendations by a coroner's jury, follow-up actions are implemented and regulations may be amended. In situations involving, for example, window-cleaning operations, a number of changes are being implemented, including a hazard alert blitz, amendments to regulations, allocation of inspectors, and new long-term policy initiatives developed in concert with the Construction Safety Association.

The Auditor and his staff reiterated the purpose of the audit and their concerns. During the meeting, a number of issues were clarified, and the Deputy Minister stated that perhaps the Ministry had not been sufficiently clear and precise at the time of the audit, and in its initial written response to the audit observations.

RECOMMENDATION:

- #5. The Committee recognizes that progress has been made by the Ministry of Labour in the prevention of construction accidents throughout the province; however, it recommends that the Ministry seek additional means for increasing the number of staff inspectors in the Construction Health and Safety Branch.

Section 3.13 of the Provincial Auditor's 1983 Report:
Review of Hallmark Hornepayne Town Centre Project,
Ministry of Northern Affairs

During 1982-83, the Provincial Auditor conducted a full review of the Hallmark Hornepayne Town Centre project and the Provincial government's involvement in it, including a review of the cost effectiveness of the Provincial capital investment in the project. In June 1983, the Auditor forwarded his report on the Centre to the Ministry of Northern Affairs, and in March 1984, the Public Accounts Committee reviewed the subject with the Deputy Minister and other senior officials from the Ministry of Northern Affairs.

Hornepayne is located in northern Ontario, about 100 kilometres north of White River and is a community of approximately 1,700 people. The Town Centre was actually conceived in 1975, when it was anticipated that the Canadian National Railway Company's labour force in Hornepayne would expand from 425 to some 600 by 1980-81. Hallmark Hotels Limited, CN, and some Township of Wicksteed Council members asked the Province to participate in the project.

In 1977, the Province and CN agreed in principle to participate in the construction of a Centre. Following this, by a Letter of Intent signed by the Minister of Northern Affairs on August 15, 1978, the Province, Hallmark and CN agreed to participate.

The 160,000 square-foot Centre, which was officially opened in October 1982, consists of an enclosed mall and an outdoor recreational area located on land transferred to Hallmark by CN and the Municipality for \$1.00 each. The Centre is composed of the following components.

Province

Liquor Control Board of Ontario (LCBO) store
Ontario Housing Corporation (OHC) rental housing for senior citizens
Ontario Provincial Police (OPP) detachment offices

Municipal

Cultural and Recreational facilities - library, gymnasium,
 swimming pool, outdoor playing field, tennis courts
 Medical/Dental facilities
 High School (sharing library and recreational facilities)
 Board of Education office

CN

Accommodation - bachelorettes, apartments, and railway crew lodges

Commercial (Hallmark)

Hotel - 35 rooms, restaurants, bars
 Post Office
 Bank
 Department Store
 Food Market
 Small retail stores (4)

The Centre is owned by Hallmark, although under the Letter of Intent, the outdoor recreational facilities may be conveyed to the Municipality for \$1.00.

Feasibility and Purpose of the Project

The Province did not conduct a feasibility study prior to agreeing to participate; however, the Deputy Minister stated that because the project was new and unique to the Province, the government did assess the public sector facilities that might be included, together with the broad costs and potential financial impact on the community. CN and Hallmark assessed the economic viability of the project and Hallmark reported, in 1977, that the project was only marginally feasible from an economic point of view. The Committee was informed that Hallmark's reservations were based on the premise that the company would be working alone, without public sector

involvement. Despite this and other reservations expressed by the Ministries of Health and Education, the O.P.P. and the LCBO, the then Treasurer of Ontario strongly endorsed the project.

The 1978 Letter of Intent stated the purposes of the project to be: a) improvement of community facilities in light of CN's major operation expansion; b) improvement of living conditions in a remote northern community faced with expansion; and c) provision of a climate-controlled mall-type Town Centre to encompass many community services. In 1980, the Deputy Minister translated these objectives into the following quantitative criteria to be used for purposes of a detailed project evaluation: CN employee turnover rates; permanent population increase; increases in the use of cultural and recreational facilities; occupancy rates of apartments; employment figures for 1977 vs. 1982; and intangible social benefits stemming from the community centre.

According to the Deputy Minister, a detailed evaluation based on the above quantitative measurements was to have been made in 1982. The Auditor noted that such an evaluation has not been done, primarily due to delays in the occupation of some of the Centre's public sector facilities. Several years will be required to assess the results of the project. In the meantime, the Auditor's observations, with respect to the quantitative measurement criteria, indicate that:

- CN employee layoffs have resulted in a decrease from 425 employees in 1975, to 410 in 1982-83;
- there has been a population increase from 1,610 in 1975 to 1,720 in 1982;
- the cultural and recreational facilities of the Centre are being used by the High School, senior citizens, CN employees and other Hornepayne residents;
- senior citizen and CN apartments are nearly all occupied. Of the 112 CN bachelorettes, about 50 to 75 are usually occupied;
- the Town Centre has provided employment for 60 to 75 people; and
- the hotel facilities have attracted business to the community in the form of travel stopovers, and conventions.

In terms of intangible social benefits, the Auditor pointed out that it will take some time to determine the degree to which they might serve in attracting industry and population for resource and other development.

The Deputy Minister told the Committee that, as of May 15, 1984, there were only about three small unoccupied public sector facilities. In terms of the ongoing detailed evaluation, the first phase of a social impact study had been completed in draft form, copies of which were distributed to the Committee. The Deputy Minister felt that the report demonstrated a fairly positive impact of the Centre on the community. With the initial evaluation completed, the financial assessment, in terms of the rate of return on the capital invested plus the deficit, is yet to be determined in a meaningful way. For now, in terms of dollars only, the Auditor's conclusion that the Province's investment in the Town Centre is hard to justify, is probably accurate. The social benefits are, however, of significant importance to the community in general, and therefore justify the construction of the Centre as a unique northern Ontario community pilot project.

As a final comment, the Deputy Minister pointed out that the facilities transferred from existing buildings into the Centre have not left vacancies in the community. This space is being well-utilized. The Ministry intends to carry out a broader evaluation when the initial problems associated with the first year of operation subside.

Capital Costs

In March 1976, Hallmark estimated a cost of \$7 million for the project. In 1977, the estimate was revised to \$8.7 - \$11.5 million. This was determined by the architect and the construction firm, Foundation Company of Canada. This estimate included non-construction costs (professional fees for architects, contingencies, interim financing, construction management) determined on a percentage basis by Hallmark. In August 1978, after a series of negotiations, the contract was given to Foundation Canada, and the August 15th Letter of Intent was signed. Revised costs totalled \$11.66 million (consisting of \$8.30 million for construction and \$3.36 million for non-construction costs).

Under the August 1978 Letter of Intent, the sharing of the total cost was segregated as follows: the Province's share of \$5,367,000 (or 46 percent); CN, \$3,945,000 (34 percent); and Hallmark, \$2,348,000 (or 20 percent).

The Province's share in the project was a complex transaction involving grants and other capital costs to be reimbursed through future rental payments. The amount contributed by the Province was fixed by the Letter of Intent; therefore, although the contractor's costs were eventually higher than anticipated (increasing from \$8,300,000 to \$9,540,000), the Province's share was not altered. Hallmark and CN absorbed the extra costs. It should be noted that the Province (Ministry of Northern Affairs) was originally to pay \$5,367,000; however, this was reduced to \$3,704,000 as a result of a federal DREE contribution and other adjustments.

The Province did, however, pay an additional \$946,000 in non-contract, capital-related costs. These included such things as finishing work and alterations, some of which were the subject of prolonged negotiations between Hallmark and the Ministry of Northern Affairs. Provision for the finishing requirements for the O.P.P., Medical/Dental and LCBO premises was not specified in the Letter of Intent because accommodation requirements were not known. The change became apparent as the project progressed. Despite this additional cost, as the Deputy Minister pointed out, the Provincial expenditure was ultimately under the amount contained in the original Letter of Intent.

Delays in Occupation of Leases and Lease-Related Payments

Delays occurred in negotiating some of the leases, and in occupying the public sector facilities. As a result, the Ministry of Northern Affairs made payments totalling \$338,000 for unsigned leases for unoccupied premises up to March/April 1982. Most of this was paid to Hallmark. The leases were retroactive to December 1980. It had been intended that the municipality would assume the leases for the cultural, recreational, and medical/dental facilities; however, under an agreement between the Ministry and the Municipality, these facilities are currently being leased by the Province (Ministry of Government Services).

The Deputy Minister explained that the Ministry of Northern Affairs was acting as a kind of broker in the lease negotiations. It was attempting to keep the lease costs down and to ensure that the concerns of the Township and the school board were taken into account. Although Hallmark felt that the premises were suitable as of December 1980, the government felt that the conditions were not adequate. Negotiations resulted in delays in signing the leases until tenant improvements had been made to suit the public sector facilities involved. In February 1982, the government was ready to sign the leases and settle the rental arrears. The total settlement, including interim payments, amounted to \$338,329.

Operating Costs

Public sector lease costs for July 1, 1982 to June 30, 1983 were estimated to be almost \$290,000 including additional rent for operating costs in excess of \$215,000. The Auditor could find no evidence of the prospective public sector tenants having been given reasonably accurate estimates of operating costs (additional rent) prior to initiation of the project.

The Deputy Ministry agreed that no official notification of these costs was originally sent out to public sector tenants. They were, however, informed that additional costs would develop as time went by.

As mentioned, the cultural and recreational, and medical/dental facilities are being administered under an agreement between the Ministry of Northern Affairs and the Municipality (Township of Wicksteed). Under the Agreement, the Township is to manage the facilities on behalf of the Province, which is paying for their operating costs. Originally, the Township agreed to be bound by the 1978 Letter of Intent, and be financially responsible for these facilities. Prior to the completion of the Centre, however, the Township became concerned about increased operating costs and as yet, has not taken over the leases. Therefore, the Province is paying the operating deficit, which, as of December 31, 1982, totalled over \$140,000. The Province will continue to encourage the Municipality to operate these facilities with reasonable and sound management in an effort

to reduce operating costs. But, the Deputy Minister stressed, there will be "no financial burden shifted to the taxpayers of Hornepayne as a result of any direct operating deficits." It is the general taxpayers of Ontario who will pay until the deficit is reduced or disappears. The Deputy Minister stated, however, that in light of increased interest rates, and the failure of CN to increase its workforce as anticipated, a deficit of \$140,000 for the first year of operations was not excessive for a facility of this type, in terms of the public sector component.

The Auditor felt that the extra costs (capital and lease-related) incurred by the Province were partly attributable to a problem of co-ordination. The 1978 Letter of Intent specified that there should be a senior co-ordinating committee of representatives from the Province, CN, Hallmark, the Municipality, school board and DREE. The Auditor felt that such a committee might have served to reduce extra costs and facilitate the occupation of public sector premises. No such committee was established. The Deputy Minister explained that, as the project progressed, there was no perceived need for a formal committee. There was, however, constant negotiation and monitoring at high management levels, of the day-to-day issues related to all aspects of the project. It was the Ministry's intention to have the project operate as efficiently as possible from a financial point of view.

Future evaluations of the Town Centre by the Ministry of Northern Affairs should include broad cost-benefit assessments in terms of the financial, social, cultural and recreational implications of the project and its contributions to the community.

COMMENT:

#6. The Committee believes that there should have been more co-ordination and consultation between the Ministry of Northern Affairs and the participating agencies, at the initial design phase of the Hornepayne Town Centre project.

RECOMMENDATION:

- #7. The Committee recommends that the Provincial Auditor conduct a follow-up review of the Ministry of Northern Affairs' evaluation of the Hornepayne Town Centre, noting in particular, the social benefits incurred, and report his findings to the Public Accounts Committee at his convenience.

Section 3.15 of the Provincial Auditor's 1983 Report:
Escalating Costs of Telecommunications Project,
Ministry of the Solicitor General

The Provincial Auditor commented on the status of an Ontario Provincial Police (O.P.P.) Telecommunications Project, the costs for which have escalated from an estimated \$24.4 million in 1980 to an estimated \$66-\$71 million in 1982.

The project is designed to upgrade the existing O.P.P. telecommunications system installed in 1947. In the early 1970s, there was a recognition of the need for a new system. Preparation of the proposal and submission to Management Board of Cabinet began in 1977 and the submission occurred on January 29, 1980, resulting in the approval of \$24.4 million.

The new system will provide centralized radio dispatching on a district basis, and mobile radio communication using 16 communication centres and at least 130 remote tower sites throughout the province. Special features will provide car-to-car, portable outside-vehicle, group, and all-call communication. Detachments and remote tower sites within a district will be linked to the communications system. This linking system will be either leased or owned by the government. Generally, the system, which will provide communications into the 1990s, will be inherently more flexible, combat criminal mobility, increase the speed and reaction time of service, enhance public access, decrease maintenance costs and better utilize O.P.P. personnel.

The following is the sequence of events relating to the status of the project, from 1980 to 1983.

- January 1980 - Management Board approved \$24.4 million (based on estimates of an engineer who joined the O.P.P. in 1979), to extend over three fiscal years.
- January 1982 - contract awarded to Motorola for \$20.1 million to provide basic equipment for the linking system. This has risen to \$22 million. Commitments were also made to other suppliers for equipment and consultants.

- August 1982 - a revised estimate of \$54.5 million, a further application, and report was submitted to Management Board. (The revised estimate represented an increase of 123 percent of the 1980 approval).

- August -
December 1982 - a Project Review Committee (PRC) chaired by a senior Management Board Secretariat official was established to review the revised estimate and the Minister's concern regarding financial and management controls applied to the project. The PRC estimated total project costs at between \$66 and \$71 million.

- December 1982 - PRC report to Management Board stated that effective controls had not been exercised and made specific recommendations. Cabinet requested that the Ministry establish a project team under a general manager to take charge of the project.

- January 1983 - project team established and general manager appointed.

- February -
April 1983 - additional financial, administrative and engineering staff hired. In April 1983, \$4.1 million was requested to pay for the London linking system.

- October 1983 - project team reported again to Management Board on implementation alternatives and relevant costs.

- Spring 1984 - estimate of \$66-\$71 million not finalized. (Anticipated finalization date of late 1984 or early 1985).

- Summer 1984 - a London field test to have been conducted for the purpose of determining the adequacy of Motorola equipment for the linking system.

The Deputy Solicitor General explained this chronology of events and he and O.P.P. officials answered questions from the Committee. *

With regard to the initial 1980 estimate of \$24.4 million, it was explained that, due to the necessity and pressure to develop the system, there was not sufficient time allocated to perform the detailed engineering that would have ensured an accurate and comprehensive cost estimate. Furthermore, the Deputy Solicitor General stated that there appears to have been "a lack of appropriate financial, administrative, managerial control and management" of the responsible engineer's technical expertise in connection with his estimate submission of 1980. At the time of this submission, the engineer also projected a completion date of 1983. The current completion target date is 1987. The O.P.P. general manager agreed that when the final

estimate is approved, subsequent to the completion of an implementation alternatives report in 1984 or 1985, the costs could possibly be above \$71 million and the completion time further delayed. A key issue in this respect will be the leasing or building of the linking system. The most economical approach is under review.

The Deputy Solicitor General emphasized that, with the establishment of the project team in 1983 and the additional personnel hired, the integrity of project has been enhanced with new and strengthened procedures.

In this regard, the Provincial Auditor stated that he would continue to monitor the ultimate disposition of the project and the degree to which management improvement practices have been implemented.

It was pointed out that while the original engineer continues as director of engineering for the project, none of the people responsible for the administrative, financial and managerial control of his work, at that time, is currently employed with the O.P.P. or the Ministry. They have all retired.

As of January 31, 1984, \$17 million was spent on the project, and a total of \$27.7 million had been committed through the signing of contracts, etc. A significant portion of the money spent - about \$10 million - was for the Motorola contract for system equipment. As of March 1984, it was reported to the Committee that the Ministry had not bought out any contracts with suppliers or consultants, nor had it paid any penalty payments in connection with the project. Pending revision, the project has a current spending authority of \$31 million.

During the course of the hearing, it became clear that while the engineer who submitted the first estimate of \$24.4 million had some technical engineering expertise, he was not held responsible for the administration and financial management of the project. In an effort to determine who was responsible, the Committee was provided with the chain of command that existed at that time. The Deputy Solicitor General explained that the engineer involved reported to an assistant commissioner in the staff services division of the O.P.P., who, in turn, reported to a deputy commissioner, who

reported to the commissioner. The appropriate Ministry officials were the executive director and the Deputy Minister. No names were given at the meeting; however, the Deputy Minister wished to reiterate that the engineer was not solely responsible for the cost over-runs in the project and there were other managerial and administrative problems with respect to overseeing the work done. The Committee took notice of the fact that the Deputy Solicitor General emphasized that, prior to January 1983, he was Assistant Deputy Attorney General, during which time, he had no direct involvement with the telecommunications project.

RECOMMENDATION:

#8. The Committee wishes to express concern regarding the delays and increasing costs associated with the O.P.P. telecommunications project. It appears possible that the projected completion date could mean that the project might be out-moded or obsolete at the time of its implementation. Therefore, the Committee recommends that the Ministry of the Solicitor General re-examine the project in light of the above-noted problems, while not precluding the option of cancellation.

COMMENT:

#9. Although a project team was established in 1983 to co-ordinate the telecommunications project, the Committee believes that, with regard to any project of this magnitude, there is clearly a need for an identifiable, responsible individual who, as project manager, is answerable for the co-ordination and evaluation of a project from its inception.

Section 3.16 of the Provincial Auditor's 1983 Report:
Excessive Short Term Absences,
Ministry of the Solicitor General

The Provincial Auditor reviewed the Province's Attendance Improvement Program (as outlined in Volume Two of the Ontario Manual of Administration), as it related to the Ministry of the Solicitor General. The objective of the Program is "... to ensure that sick leave usage is restricted to instances where an employee is prevented from carrying out his/her duties because of personal illness or injury." The responsibility for co-ordinating the Program in each ministry may be delegated by the Deputy Minister. The program co-ordinator is responsible for establishing Program objectives, training personnel in Program implementation procedures, and reporting to senior management.

The Auditor noted that, at the time of his audit, no one within the Ministry of the Solicitor General had been specifically charged with the responsibility for implementing the Attendance Improvement Program.

The Auditor also concluded that there was a lack of control over absences for short term illness with regard to management employees of the Ministry. These absences were, in addition, significantly higher than those in other ministries. For example, from September 30, 1981 to September 30, 1982, the average length of absence in the Ministry was 14.24 days, as compared with the government-wide average of 6.94 days. It was noted that this poor average may have been caused, in part, by long periods of sick leave taken by 13 O.P.P. commissioned officers prior to retiring. Six of the cases involved absences of over 120 days each.

The Deputy Solicitor General, together with the Chairman of the Ontario Police Commission responded to questions from the Committee, and to the audit observations.

The Deputy Solicitor General provided a comprehensive overview of the initiatives taken by the Ministry to address the problems raised by the Auditor. To begin with, the accuracy of the attendance information on individual employees contained in the computerized central attendance reporting system (CARS) has now been verified. This was achieved, in part,

by revising appropriate sections of O.P.P. police orders, to provide more precise reporting of absences. The Ministry's Manual of Administration is also being revised to provide more precise direction to managers on the recording of absences. All managers have been instructed in the format of the quarterly attendance report, and have been given guidance on extracting data and pertinent information. This will improve their ability to analyze, report, and monitor employee attendance. The policy and planning branch of the O.P.P. is conducting a statistical review of employee absences to determine trends and problems. There are also more formal follow-up procedures in cases of sick leave and absences prior to retirement. In addition, a general medical certificate is no longer acceptable in cases of absences due to illness. The certificate must clearly state that an employee is unable to attend to his or her duties. Finally, the Deputy Solicitor General has appointed the director of personnel as the ministry's Attendance Improvement Co-ordinator, who will attempt to rectify attitudinal problems, and through the above-noted initiatives, improve attendance.

Accepting the Auditor's observations, the Deputy Solicitor General stated that the problem in the Ministry regarding attendance was, to a significant degree, concentrated in the O.P.P.; however, he pointed out, of a total of 6,300 employees in the Ministry, 5,300 are O.P.P. staff. He stated that stress-related aspects of the particular work involved may be a contributing factor in what he perceived to be a trend in management attendance in the Ministry, since 1976. In 1976, the government-wide short-term sickness plan was instituted. It provides for six days per year of allowable sick leave, for which people receive 100 percent salary. After that, up to a maximum of 124 days, they receive 75 percent of their salary. Prior to 1976, employees were allowed to accumulate sick leave credits in the same manner as vacation credits were accumulated. Thus, there was more incentive to save the credits. A management employee nearing retirement when the plan changed in 1976 may have felt that those accumulated credits should be used, an attitude which may have contributed to excessive pre-retirement sick leave.

The 13 O.P.P. staff referred to specifically by the Auditor were all commissioned officers in management positions. They were employed in Toronto and other centres throughout the province.

Section 3.17 of the Provincial Auditor's 1983 Report:
Poor Management and Control Practices, Ontario Police
College, Ministry of the Solicitor General

The Ontario Police College is located in Aylmer, Ontario. Operating under the direction of the Ontario Police Commission, it has, since 1963, provided training for Ontario police from probationary constable through to supervisory and management levels. The College, as a residential facility, provides sleeping accommodation for 584 people. Expenditures for the College for the 1983 fiscal year were about \$5.0 million, under Vote 1703, Item 2. Expenses comprised salaries and wages, (70 staff), employee benefits, transportation and communications, services and supplies, and equipment.

The Provincial Auditor reviewed the operations of the College to determine whether they were conducted with due regard to economy and efficiency and to assess the adequacy of internal controls, including compliance with established policies and procedures for purchasing goods and services. He concluded that:

- there was a lack of due regard for economy and efficiency in the areas of (a) the College's vehicle fleet, (b) food services staffing and (c) word processing equipment; and
- internal controls were generally inadequate, and established policies and procedures were not always complied with - particularly with regard to (a) student fiscal arrangements, (b) tuition and accommodation charges, and (c) the entitlement of executive cars.

The Deputy Solicitor General, Chairman of the Ontario Police Commission, and Director of the Ontario Police College appeared before the Committee to discuss the Auditor's concerns. The Deputy Solicitor General explained that since the Auditor's review, both policy and operational changes have been effected at the College.

The Auditor concluded that the College's fleet of vehicles was being underutilized and recommended that the College review alternatives in order to achieve greater efficiency in its usage. The Committee was informed that the fleet has since been reduced by three vehicles and optimum use is being made of all vehicles. A review concerning the

alternative of leasing vehicles has been conducted - a proposal which is considered to be uneconomical, considering the type of use required and the location of the College.

The Auditor noted the inefficient use of staff with regard to the provision of food services (particularly during periods of low enrolment), and the inefficient and uneconomic utilization of word processing equipment by College staff. The Deputy Solicitor General explained that the use of kitchen staff during periods of low enrolment has been carefully monitored and there are now 12 permanent staff and six part-time staff, rather than 18 permanent staff. Through attrition, it may be that the permanent staff in the food services operation can be reduced further. The practicability of using a caterer is under review by a recently-appointed administrator of support services.

Utilization of word processing equipment (worth some \$55,000) has been substantially increased by making more use of the machinery's potential since the appointment of the administrator of support services. Productivity has increased substantially, and now exceeds 75 percent. In addition, a private consultant has recently completed a review of EDP resources within the Ministry. The Deputy Solicitor General has requested that an information technology branch be established within the Ministry to be responsible for, among other things, the establishment of standards and controls for the acquisition and use of data processing equipment. Currently, eight clerical staff operate the machines.

The Auditor commented on the policy for charging students who attend the College. Candidates from Ontario provincial and municipal police forces are provided free tuition, board, lodging, notebooks and stationery. In addition, travel expenses are reimbursed. In all other cases, certain charges are made (\$200 - \$250 per week), and students pay their own travel expenses. The Auditor could not determine the policy basis or approval for this practice and recommended that it be reviewed to ensure compliance with government policy. He suggested that unnecessary expenditures may be resulting through free services to Ontario police forces.

The Deputy Solicitor General pointed out that attendance at the College is not compulsory; therefore, the provision of accommodation, tuition and travel is regarded as a necessary and persuasive incentive to attract candidates for training. The student allowance subsidy is less than 50 percent of current mileage rates and has not been increased since 1982. It is felt that the travel subsidy is defensible, given the location of the College in relation to the size of the province. Fees charged for persons other than police officers have been increased by five percent (the current limit), and will be increased again, up to full-cost recovery. Fees for foreign students will be set at approximately the full cost plus 15 or 20 percent.

Under the Ontario Manual of Administration, the entitlement of an executive car is, with very few exceptions, restricted to deputy ministers. The Auditor noted, however, that the Director of the College had been provided with an automobile on a full-time basis, since July 1982. No authority for this could be determined.

The Director explained that when he was first appointed, it was common practice for the Director and Deputy Director to be provided with a car. He was given a former police cruiser for use 24 hours a day. In July 1982, the Director received a new car and the Deputy Director has not been given a car for some time. In accordance with government policy, the Director now uses his car for business purposes only.

COMMENT:

#10. The Committee commends the Ministry of the Solicitor General and the Ontario Police College for their attempts to conduct operations more economically and efficiently and for their careful attention to the issues raised by the Auditor.

COMMENT:

#11. The Committee believes that the current tuition fee structure at the Ontario Police College appears to be satisfactory in all respects.

Section 3.18 of the Provincial Auditor's 1983 Report:
Detailed Audit of Operations,
Ministry of Tourism and Recreation

Under Section 3.18, the Provincial Auditor reported on a broad-scope audit of the Ministry of Tourism and Recreation's major operating components, the Tourism Marketing Development Activity and the Recreation, Sports and Fitness Program. The overall audit of the Ministry included a review of the following activities, expenditures for which are given by Vote and Item in the 1982-83 Public Accounts.

	\$million	
Tourism Marketing Development	20.7	Vote 2602, Item 3
Program Administration (Recreation Grants)	21.1	Vote 2604, Item 1
Sports and Fitness	11.9	Vote 2604, Item 3
Recreation Field Operations	<u>4.2</u>	Vote 2604, Item 4
Total	\$57.9	

The Ministry of Tourism and Recreation was established in February 1982, and since that time, it has worked to establish its role and mandate, as well as systems and structures under which to accomplish this mandate. The objectives of the Auditor's review, together with his summary of audit criteria are included under Section 3.18, for purposes of reference and establishing perspective. The Auditor found that, in general, the Ministry had made good progress. Internal controls, including compliance with legislative and administrative requirements, were generally adequate. The Auditor noted, however, that:

- a lack of controls resulted in community recreation centre grants being significantly overcommitted; and
- measures and management control in place to monitor and evaluate results required considerable improvement.

The Assistant Deputy Ministers of the Tourism and Recreation Divisions of the Ministry addressed the Auditor's concerns and answered questions from Committee Members. Ministry officials pointed out that many of the Auditor's observations had been, or were in the process of being, addressed.

A. Tourism Marketing Development Activity

The objective of this activity is to maintain an upward trend of tourism in Ontario in terms of person trips and dollars expended. The Auditor's review of Management By Results (MBR) for the Tourism Marketing Development Activity revealed the following deficiencies:

- the objectives of the Activity were not clearly stated; and
- person trips and expenditures had not been based on actual data since 1976. Data included trips and expenditures for residents of countries where the Ministry did not advertise or have any presence.

The Auditor recognized that measuring tourist visits to Ontario as a direct result of advertising is difficult, due to the many factors involved. The Ministry measures advertising effectiveness primarily through surveys and tracking studies, which measure awareness of Ontario, and intention to travel to Ontario. This measurement, however, is of a general nature, and relates to major campaigns (such as "Ontario-Yours to Discover"), rather than specific, individual advertisements.

A number of advertisements contain a phone number for further information. The Ministry has kept a daily log of the number of calls, but does not monitor inquiries as to which specific advertisement they may relate. The Auditor suggested that the Ministry attempt to correlate information about person trips to Ontario and related expenditures, with the Ministry's advertising efforts.

The Assistant Deputy Minister for Tourism explained that measuring the effectiveness of advertising is indeed difficult. The Ministry advertises in Ontario, the United States, Canada, West Germany, Holland, the UK, Tokyo, and France. A tourist is defined as someone who travels more than 25 miles. Therefore, in the United States, advertising is directed primarily toward the Great Lakes basin states, with an emphasis on New York, Cleveland, Pittsburg, Chicago, Detroit and Milwaukee. In terms of measuring the effectiveness of advertising,

the Ministry conducted an exit survey in 1978 and is attempting to conduct another in the near future. These are expensive, however, and cost between \$500,000 and \$750,000.

In addition to existing surveys, the Ministry conducts license plate counts in various parts of the province to determine travellers' origins. It also inserts return questionnaires in magazines, advertises in co-operation with participating hotels and conducts telephone surveys. Through these mechanisms, the Ministry is able to judge, to a degree, some impact of advertising based on numbers of inquiries.

It was pointed out that the Ministry is constantly seeking improved cost effective methods whereby the effectiveness of activities may be better evaluated. A significant step in this area has been the introduction of a new computerized Tourism Management Information System (TMIS), the initial phase of which is currently in operation. This system calls for the collection of data and reporting of information to monitor responses and results of individual advertisements, markets, areas of interest, demographic background of clients, etc. It is believed that this information will be of great value in the planning and evaluation of marketing efforts. A recent Ontario travel study was also completed which yielded valuable information concerning travel trends, and which will be made available to the Committee. The Auditor was advised that improvements would be made to the MBR, and that more accurate data for Ontario trips and expenditures would be reflected in the MBR.

B. Recreation, Sports and Fitness Program

The following is a description of the grants available under this program, as outlined in the Auditor's Report.

Community Recreation Centres Program (CRCA) - Under the Community Recreation Centres Act, the Ministry provides assistance to municipalities, Indian bands and localities without municipal organization for the establishment of community recreation centres. (In order to be eligible for a capital grant, a community recreation centre must be used for at least one of nine purposes, such as a tennis court, swimming pool, gymnasium, etc.)

Responsibility for this program was transferred to the Ministry during the re-alignment in early 1982. While certain processing functions still remained with the Ministry of Citizenship and Culture during the audit, the Ministry of Tourism and Recreation is ultimately responsible for this program. Expenditures for the 1983 fiscal year were \$9.6 million.

Wintario Program Grants (Non-Capital) - Grants are provided under three categories, namely : sports, fitness and recreation. Financial aid is provided to assist teams and individuals with travel expenses to participate in invitational competitions and to provide assistance for the acquisition of equipment required by community sports groups. Expenditures for the 1983 fiscal year were \$8.5 million.

Grants for Municipal Programs of Recreation - Grants are provided to recreation committees established by municipal councils. Categories of assistance include costs incurred for salaries plus approved maintenance and operating costs. Expenditures for the 1983 fiscal year were \$2.6 million.

Grants to Sports Governing Bodies - Financial assistance is provided to approximately 75 Sports Governing Bodies annually to create opportunities for Ontarians to participate in amateur sports activities both for enjoyment and to develop competition skills. Expenditures for the 1983 fiscal year were \$4.8 million.

Grants to Ontario Sports Administrative Centre - The Ontario Sports Administrative Centre was established in 1971 to promote and develop sports in Ontario through the provision of facilities and support services in Ontario. Funding for the 1983 fiscal year was \$2.5 million.

Recreation Field Operations - The Recreation Field Operations Branch is responsible for evaluating grant applications and providing advisory services to municipalities and sports and recreational organizations. Expenditures for the Branch for the 1983 fiscal year were \$4.2 million.

The Auditor's major concerns, as they applied to the administration of grants, were as follows.

Although controls over municipal recreation and Wintario non-capital grants were satisfactory, internal controls over CRCA grants were inadequate and improvements were needed in certain areas related to grants to sports governing bodies. Specifically:

- as at December 31, 1982 the CRCA program was overcommitted in its approved grants by several million dollars;
- the payment and approval system for CRCA grants was slow and inefficient;
- a number of applications for CRCA grants were incomplete;
- little follow-up was carried out by the Ministry after a CRCA grant is approved and paid on a facility;
- projects not suitable under the Wintario program may qualify for a CRCA grant on the same facility;
- annual performance reports from sports governing bodies did not contain comprehensive information on benefits derived from all sports grants funded by the Ministry; and
- grant eligibility guidelines for invitational competitions were not specific enough to ensure that only events with measurable benefits were identified for Wintario funding.

Ministry officials explained that the two major capital assistance programs - CRCA and Wintario Capital - have been extensively reviewed. The Ministry has redefined these programs to complement, rather than parallel, each other. Wintario capital grants now relate to new construction, whereas CRCA relates solely to the retrofitting of existing facilities. Studies have been completed to determine the financial position of the CRCA and Wintario grant programs. Models have been developed to assist in the financial administration and planning for these programs. All outstanding files have been updated or closed and plans have been developed to manage the program with consideration given to the outstanding debt. A new computerized Grants Management Information System will monitor and control all grant commitments and payments. All municipalities with CRCA program applications have been identified and projects will be prioritized. Commitments will be paid according to the date of eligible application. It is expected that the overcommitment will be paid by 1986 or 1987.

The Ministry has also strengthened follow-up procedures for CRCA projects. Field staff now have more authority in the entire grant process - from the consulting stage through to final payment. The Ministry has suggested that every municipality have a master plan, and that any applications for capital facilities be incorporated into the plan. There has also been a reduction in the number of Ministry personnel who review applications, which reduces the complexity of the entire processing system.

It was reported that the Ministry has improved its system of performance reporting by sports governing bodies. New grant application forms have been introduced and the new system will require a more comprehensive reporting of results. The Auditor identified several instances in 1982 in which no financial statements had been submitted by the governing bodies. This has since been rectified, and the submission of financial statements is now a condition for receiving grant consideration in the following year. The new forms require either an audit or a statement by the board of directors of actual expenditures.

With regard to eligibility guidelines for sports travel grants, it was pointed out that on January 1, 1983, grants for invitational travel were restricted to events taking place within Ontario. Due to funding limitations, the programs that are eligible must be certified as invitational competitions by the Provincial Sport Association. In addition, grant recipients must demonstrate clearly identifiable benefits, which must be closely associated with the objectives of the program. In situations involving championship tournaments (rather than invitational), applications are eligible under other travel guidelines. Criteria for northern Ontario travel are somewhat less restrictive, due to the travelling distances involved.

RECOMMENDATION:

- #12. The Committee recommends that the Ministry of Tourism and Recreation make more effort to determine the effectiveness of its advertising by correlating tourist enquiries with sources of advertising, through increased information-gathering procedures, and the closer monitoring of telephone calls, travel studies and surveys.

Section 3.19 of the Provincial Auditor's 1983 Report:
Observations re Agency of Record
and Government Advertising Expenditures,
Ministry of Tourism and Recreation

The objectives of this audit were to assess a) the Agency of Record selection process, b) the Agency and Ministry operational, administrative, accounting and reporting practices, and c) whether the government's reporting systems provided adequate disclosure of advertising costs.

A June 1972 recommendation by the Committee on Government Productivity (COGP) led to the implementation of an Agency of Record (AOR) media purchasing system for Canadian media purchases on behalf of the Province of Ontario. On November 26, 1974, after a competition was held, Management Board of Cabinet approved the selection and appointment of an AOR for Ontario, for a period of three and a half years (December 1, 1974 to May 31, 1978). The AOR chosen was Foster Advertising Limited, and the agency has been re-appointed twice, in 1978 and 1982. The current contract is for a period of three years, ending August 31, 1985.

The AOR function is coordinated on behalf of the government by the Ministry of Tourism and Recreation's Corporate Advertising and Special Projects Group. It coordinates and executes all Canadian print, outdoor transit and broadcast media purchases on behalf of the Province of Ontario, except for personnel advertising. Each ministry and agency designs its own advertising program content, budget and media plan, and defines its media purchasing requirements, which are then handled by the AOR. For foreign media, the agency representing a ministry can make purchases independently of the AOR. (The AOR does not handle advertising for Ontario Hydro or the Workers' Compensation Board).

Generally speaking, the procedure is as follows:

- the media bills the AOR at the media contract rate less 15 percent;
- the AOR, in turn, invoices the government ministries and agencies at the full media contract rate (plus delivery, emergency telephone and telex charges);
- the AOR retains 2.25 percent of the media contract rate; and

- remits the balance of 12.75 percent to the participating advertising agencies.

For the 1983 fiscal year, the Province was billed \$27.17 million by the AOR, (for media advertising), representing \$14.4 million for ministries and \$13.03 million for agencies, boards and commissions. These figures represent the total cost of Canadian media purchases, but exclude creative production costs, such as artwork. Participating advertising agencies bill the government ministries and agencies separately for these costs.

Senior officials from the Ministry of Tourism and Recreation appeared before the Committee to discuss the issues of advertising expenditures and the AOR. The Executive Director of the Ministry's Corporate Advertising and Special Projects Group stated at the outset that the major purpose of the AOR is to save the government money, through achieving consistent cost efficiencies by earning volume and frequency discounts. He also pointed out that the Ontario Manual of Administration clearly sets out the procedures for the competitive acquisition of communications services, and that these procedures were followed in the original selection and appointment of the AOR, and in each of the two subsequent competitions.

Selection Process

In August, 1982, prior to the expiration of the incumbent's last contract, a review committee was established for the selection of the AOR. The committee was made up of five senior ministry/Crown agency officials, who considered presentations by three advertisers, including the incumbent. These companies were Foster Advertising, F.H. Hayhurst and McKim Advertising. When the Committee determined the representation on the 1982 review panel, giving particular note to the fact that it included the general manager of Ontario Place Corporation, certain Members suggested that a conflict of interest may have occurred, since Foster Advertising is the prime advertising agency for Ontario Place. Ministry officials disagreed.

Presentations by the three companies were assessed by the review committee on the basis of selection criteria and rating points established by Management Board Secretariat and the Council of Communications Directors. (The Council is comprised of some 34 government

communications directors. It meets about six times a year, and was consulted by Management Board during the time the guidelines and selection criteria were being established for the acquisition of communication services).

Throughout the hearing, there was substantial discussion about these selection criteria. For example, out of a possible 100 points, 30 are allotted for the "capability" criteria which includes professional qualifications, track record and government accounts. Another 20 points are allotted for "sensitivity" which includes an awareness of government objectives and sensitivity to public needs. In 1982, the overall score received by Foster was significantly higher than that of the other two companies. The Provincial Auditor concluded that:

In our opinion, the selection process places a heavy emphasis on previous government experience and awareness of needs, particularly in an agency of record role. In these circumstances, assuming satisfactory performance by the incumbent agency, its continued selection would seem virtually unavoidable.

Ministry officials believed that the point rating system did not excessively favour past government involvement, and emphasized that the AOR is judged on a daily basis in terms of performance both by its peer agencies and the government. If it does not perform well, it will not be retained. It was pointed out that, to date, there have been few problems, but it was not possible to speculate whether Foster Advertising would be hired again in 1985. It was emphasized, however, that the choosing of the AOR follows the private sector model, and that in the private sector, AORs are not changed on a routine basis. Nor are they "penalized" for having a background of experience that allows them to function efficiently. The point rating system includes experience capability in both government and the private sector, and, in the opinion of the Ministry, there was no inherent bias in the system.

Operating Practices

In terms of the AOR operating practices, the Auditor noted that controls over operational, administrative, accounting and reporting practices were satisfactory. He did note a situation with regard to ethnic publications, in

which about 50 percent of the publishers did not submit proof of circulation. The Auditor recommended that the Ministry take action to ensure that circulation affidavits or printers' invoices are submitted by all qualified ethnic publishers. This has been rectified by the Ministry.

Reporting of Advertising Costs

The Auditor discovered that, for various reasons, the government's reporting system did not accurately disclose advertising costs. This issue did not directly relate to the Ministry of Tourism and Recreation; therefore, senior officials from the Ministry of Treasury and Economics appeared before the Committee to give further explanation.

The Ministry of Treasury and Economics produces an annual report entitled "Selective Object Code Expenditure Report". The report provides an analysis, by ministry, of the various components of Standard Accounts Classification. Each ministry submits to Treasury, under a common object code system, some 160 coded items. Advertising costs, as they appear in the Estimates, form part of the "Services" classification and should be included under common object codes 411 and 412.

Under the Manual of the Office of Treasury, Code 411 is for payments to advertising agencies covering services provided by professional advertising agencies. Code 412 relates to other communication services, which include advertising other than "jobs advertising" placed directly with newspapers, radio and television, and public relations, writing, photography, design, graphics, exhibits, audio-visual and film-making. The total advertising cost, as reflected in codes 411 and 412 was \$49.9 million for fiscal 1983.

The Auditor believed that these codes were an inaccurate gauge of government advertising costs. The following reasons were given.

- a) Agencies (such as Ontario Hydro and the Workers' Compensation Board), which maintain their own accounting and financial records, were excluded from the Selective Object Code Expenditure Report. Also, a significant exclusion was the Ontario Lottery Corporation, which spent about \$17.3 million for advertising in fiscal 1983.

- b) Coding errors resulted in the exclusion of some advertising costs from codes 411 or 412. (For example, \$2.6 million paid by the Ministry of Agriculture and Food to advertising agencies was not included).
- c) Internal costs (i.e., salaries and wages) relating to government activities were not included.

The Auditor recommended that these matters be discussed with the Ministry of Treasury and Economics and Management Board Secretariat, with a view to having "a more accurate and reliable system for reporting government advertising expenditures." Treasury officials agreed that they were also concerned about coding errors and omissions and had requested that all ministry finance directors give increased attention to coding accuracy.

Treasury must rely on individual ministries for the proper coding of expenditures. In the case of advertising, each ministry determines its own advertising program. The coding structure, however, does not show how money is spent, by function. The accounting of expenditures may be diffused or disguised throughout many different expenditure codes. Because the system is based on the Estimates structure, the expenditure reporting is submitted to Treasury on an appropriation control basis. Therefore, there is no one comprehensive system that would reflect expenditures in more accurate detail, for any one area of activity.

RECOMMENDATION:

- #13. With regard to the Agency of Record selection process, the Committee recommends that, when the review committee is struck later in 1985, particular consideration be directed to the fact that no apparent conflict of interest exists.

RECOMMENDATION:

- #14. As a result of the Committee's review of the "Ontario 20" Ethnic Advertising Program, it is the Committee's recommendation that all circulation data, which form part of the cost basis for advertising, be subject to verification by the Ministry.

Section 3.20 of the Provincial Auditor's 1983 Report:
Deficiencies re Vehicle Licensing and Registration,
Ministry of Transportation and Communications

The Provincial Auditor assessed the adequacy of internal controls at the Ministry of Transportation and Communications (MTC) pertaining to the collection, processing and reporting of vehicle licensing revenue for the fiscal year ended March 31, 1983.

On December 1, 1982, the Ministry's manual system was converted to a computerized "plate-to-owner" Vehicle Registration System (VRS), for the processing of vehicle permits and the reporting of fees collected. The cost of the new system was \$12 million, and the project involved the installation of more than 1,300 video terminals and printers in MTC offices, as well as in licensing agents' offices across the province.

Revenues generated from vehicle licenses and transfers for fiscal 1983 was about \$280 million. This included \$70 million generated from the manual system (April 1, 1982 to November 30, 1982) and \$210 million recorded by the computerized system for the period of December 1, 1982 to March 31, 1983.

The Provincial Auditor made recommendations regarding three major areas - the backlog of manual transactions, outstanding licence stickers, and the issuance by agents of free replacement stickers. The Deputy Minister of MTC and other senior Ministry officials appeared before the Committee to discuss these issues.

It was explained that, for the first five months subsequent to implementing the new VRS in December 1982, many problems were encountered. The most critical of these was the amount of time the computer system was down due to malfunction. This created line-ups for the public, heavy workloads for the Ministry's licensing agents, and backlogs of transactions that were completed through manual processing. During these first five months, the manual transactions numbered over two million. Since then, the majority of those manual transactions have been entered into the system to update the vehicle data base. By June of 1984, all registration renewals were processed through the system twice, at which time most of the errors

from the old vehicle file have been eliminated. Only extreme cases - about 130,000 files - which are not legible or decipherable, remain unprocessed. Despite the fact that most errors in the files have been corrected, the system will never be 100 percent accurate at any one time.

The Deputy Minister also explained that during the first months of the new system, problems were compounded because over 100 employees were transferred to Kingston to establish production operations. This, coupled with the necessary reorganization of the Licensing and Control Branch, and reassignment of staff, did not make the VRS implementation any easier.

The Auditor noted that, until all the transactions had been entered into the system, the Ministry's record of agents' outstanding license stickers would remain inaccurate and incomplete. The Committee was informed that the stock data base has now been updated from the manual transactions, and inspections of agents with regard to outstanding stickers have been reinstituted and increased.

The Auditor also recommended that the Ministry monitor the level of free replacement stickers issued by agents. The Deputy Minister explained that free replacements are no longer issued. A fee of \$2.00 is now charged. Nevertheless, agents are monitored, and the system will automatically identify those agents with unusually high levels of replacement stickers.

In general, the Ministry pointed out that it was in total agreement with the Auditor's observations, as they appeared in his report. Since that time, most of these problems have been eliminated, and many Committee Members commended the work of the Ministry in its efforts relating to the new vehicle licensing and registration system.

CROWN AGENCY OPERATIONS

Section 4.2 of the Provincial Auditor's 1983 Report:
Accountability of Crown Agencies

As a follow-up to the Committee's deliberations in June and September of 1983, concerning Crown agencies in Ontario, the Provincial Auditor included an information section in his 1983 Annual Report on issues of continuing interest pertaining to this important subject. Senior officials from Management Board of Cabinet appeared before the Committee to discuss these issues.

The Ontario Situation

The Provincial Auditor believes that, in spite of certain shortcomings, the situation in Ontario, with regard to the accountability of Crown agencies, does not present the same problems as exist at the federal level. Major factors contributing to a more favourable condition here are:

1. Both the number and size of Crown-owned corporations is significantly less than at the federal level. In Ontario, there are about 275 agencies, or groups of agencies, as set out in section 25-2 of the Ontario Manual of Administration. The actual number of active corporations, including subsidiaries, for which annual financial statements are prepared, is 82.
2. About 70 out of 202 federal Crown-owned corporations are audited by the Auditor General. (The remainder are audited by public accounting firms). In Ontario, the Provincial Auditor audits 50 of the 82 corporations. Federal audit legislation contains no reference to value-for-money auditing in such corporations. This is not the case in Ontario where Section 12 of the Audit Act deals with the value-for-money mandate.
3. In June 1983, the Secretary of Management Board summarized other factors contributing to the accountability of agencies. These were:
 - a) a framework for rules of practice is established for all agencies under section 25 of the Ontario Manual of Administration;

- b) Memoranda of Understanding are mandatory for a number of agencies. These are reviewed and approved by Management Board and tabled in the Legislature;
- c) all advisory agencies and all operational and regulatory agencies established since March 12, 1980 must undergo a sunset review;
- d) all agencies are accountable to the Legislature through their responsible Ministers;
- e) many agencies are reviewed through the Estimates review process; and
- f) the Procedural Affairs Committee and the Public Accounts Committee review, to varying degrees, the operations of Crown agencies.

Ontario Issues

The Auditor believes that, despite the preceding points, there are still areas in which a certain degree of accountability to the government and to the Legislature is lacking on the part of incorporated Crown agencies in Ontario. The major issues are summarized below.

1. Role of Legislature: During the three fiscal years to March 1983, sixteen new Crown agencies were incorporated. Of these, only three were the direct result of legislation, requiring the specific approval of the Legislature. These three agencies were the IDEA Corporation, the Ontario Waste Management Corporation, and the George R. Gardiner Museum of Ceramic Art (all created in fiscal 1982). Five were incorporated under the Business Corporations Act or the Corporations Act - the Ontario Trillium Foundation (1983), the Ontario Van Pool Organization Limited (1981), the Metropolitan Toronto Convention Centre Organization (1981), the Ontario Educational Services Corporation (1981) and the Ontario Waste Management Corp. (1981). Eight agencies were established by regulations under related legislation. These were:

- | | |
|------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> - Five Technology Centres
(all created in
fiscal 1983) | <ul style="list-style-type: none"> - Ontario Centre for Advanced Manufacturing - Ontario Centre for Automotive Parts Technology - Ontario Centre for Farm Machinery and Food Processing Technology - Ontario Centre for Microelectronics - Ontario Centre for Resource Machinery |
|------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

- The Livestock Financial Protection Board (1983)
- The Egg Fund Board (1983)
- The Ontario International Corporation (1981)

2. Subsidiaries and Audit Provisions: Section 3.15 of the Provincial Auditor's 1982 Report made reference to certain wholly-owned subsidiaries of the Ontario Energy Corporation and the Urban Transportation Development Corporation Ltd. These subsidiaries were all created without the specific approval of the Legislature.

Seven wholly-owned subsidiaries were created under the IDEA Corporation in fiscal 1983:

- IDEA Biological and Medical Technology Fund Inc.
- " Chemical and Process Technology Fund Inc.
- " Information Technology Fund Inc.
- " Innovation Fund Inc.
- " Machine and Automation Technology Fund Inc.
- " Microelectronics Fund Inc.
- " Research Investment Fund Inc.

The Ontario Energy Corporation has created three new wholly-owned subsidiaries:

- Ontario Energy Resources Ltd.
- Onexo Minerals Ltd.
- Ontario Energy Ventures Ltd.

The Ontario Energy Corporation also owns 90 percent of Onexo Oil and Gas Ltd. and Onexo Oil and Gas Ltd. owns two-thirds of the Trillium Exploration Corporation.

The Urban Transportation Development Corporation owns five wholly-owned subsidiaries (two of which are inactive):

- Metro Canada Ltd.
- UTDC Services Inc.
- UTDC (USA) Inc.
- TIA Airport Rapid Transit Corporation (inactive)
- Toronto Transit Consultants Ltd. (inactive)

UTDC also owns 87 percent of UTDC Research and Development Limited, and 80 percent of Railtrans Industries of Canada Limited.

Railtrans owns all the shares of Can-Car Rail Inc. and Venturetrans Manufacturing Inc.

Another issue is whether such subsidiaries should be treated as Crown-controlled corporations and subject to the provisions of the Audit Act.

Recommendation #12 of the 1983 Report of the Public Accounts Committee requested "... the Government consider whether or not the authority possessed by the Auditor under the Audit Act, for access to Crown-controlled corporations, should be extended to include the subsidiaries of Crown-controlled corporations."

On March 7, 1984, Hon. Larry Grossman responded with the following statement:

There is no disagreement in principle on this position. We are prepared to clarify the Provincial Auditor's right of access to these subsidiary corporations.

3. Budgetary Review: Currently, there is no process under which the annual operating budgets of operational agencies which are completely self-funded, are subject to review and approval by either the government or the Legislature. In addition, these self-funded agencies are not required to report to the government or the Legislature on the efficiency of their operations or on the degree to which they are meeting their objectives (as would be included in Management by Results reports, for example).

Examples of such self-funded operational agencies are Ontario Hydro, Ontario Lottery Corporation, Urban Transportation Development Corporation Ltd., and The Niagara Parks Commission.

4. Overlapping Mandates: The accountability issue is confused and clouded when certain agencies have similar or overlapping mandates with those of other agencies or ministries. In this respect, the uneconomic and inefficient use of resources may result. The Auditor cites the example of the mandates of both Ontario Hydro and the Ministry of Energy's

Energy Conservation Program in reducing inefficient and wasteful use of energy. In another case, the mandates of the McMichael Canadian Collection, the Ontario Heritage Foundation and the Art Gallery of Ontario all include the acquisition of works of art.

It is noted that the Procedural Affairs Committee has been examining possible overlapping and redundancy in Crown agencies.

5. Estimates Process: The Estimates process, as it relates both to ministries and Crown agencies, has been criticized in the following ways:

- the process is too demanding on Members' time, resulting in superficial examinations;
- a lack of continuity of membership and inadequate expertise characterize Estimates committees;
- partisanship sometimes results in the skirting of the issue at hand.

Concerns relating to the Estimates process were raised in the 1982 report of the Public Accounts Committee and by the Procedural Affairs Committee in its report entitled "Proposals for a New Committee System".

In response to a 1983 Public Accounts Committee proposal, the Management Policy section of Management Board of Cabinet reported in April 1984, on the situation relating to Crown agencies in Manitoba, Saskatchewan, and British Columbia.

Manitoba is unique among the provinces studied in that it has a Department of Crown Investments, which provides a direct link between government and Crown corporations. It was created in January 1983, and its mandate is more of an informational and consultative one. The Department does not involve itself in the day-to-day operations of the agencies. Political accountability to the government is provided by the Economic Resource and Investment Committee of Cabinet (ERIC) and to the Legislature, through the Public Utilities Committee or the Committee on Economic Development.

The Minister responsible for the Department of Crown Investments is the Minister of Finance, who is also Chairman of ERIC. Individual Crown corporations are responsible to a specific minister, who is a member of ERIC and accountable to the Legislature for the activities of the corporation.

Saskatchewan has traditionally made extensive use of Crown corporations in many areas of the provincial economy and has recently developed new mechanisms for the control and accountability of these corporations. In 1978, the Crown Investments Corporation (CIC) was established as a holding company and the central co-ordinating agency for some 17 Crown corporations, in terms of broad policy control and the direction of investments and capital expenditures. CIC became very powerful and increasingly more involved in the day-to-day management of individual agencies.

In 1983, the CIC was renamed the Crown Management Board (CMB), and it operates as a Cabinet Committee analogous to Treasury Board. It reports directly to Cabinet, and performs some functions similar to Manitoba's Department of Crown Investments in that it is responsible for budget approval, for reviewing operating policies and for communicating government policy to Crown agencies. The Chairman of CMB is also the Minister of Finance and the Chairman of Treasury Board. Each corporation has a minister as its Vice-Chairman, with the Chairman being a private sector appointment. This was done in order to introduce some private sector views to the general administration of Crown agencies.

British Columbia has always relied on individual ministerial accountability for its Crown corporations, and generally maintains an "arms-length" relationship. Until July 1983, the prime vehicle of agency accountability was the Select Committee on Crown Corporations, which was established by statute in 1977, and had a broad and powerful mandate over four large corporations.

In July 1983, the Social Credit government eliminated the Committee under Bill 21, the Crown Corporation Reporting Repeal Act. The Public Accounts Committee and other legislative committees now address Crown corporations as part of their on-going mandates.

In summation, in both Manitoba and Saskatchewan, Cabinet exercises a Crown corporation overview function through the Department of Crown Investments and Crown Management Board respectively, each of which are headed by the Treasurer/Minister of Finance. In Ontario and British Columbia, the principle of ministerial accountability is favoured, although Ontario does rely on Management Board of Cabinet to provide guidance on the general administration of all Crown agencies - operational, regulatory and advisory.

During the Committee hearing, it was suggested that Parliamentary Assistants might sit as members of agency boards, so that there could be a closer link to the government and Legislature in terms of policy and agency spending. Also, individual ministers would be more effectively informed about those agencies falling under their jurisdictions. Management Board officials stated that currently, there is no actual provision for implementing this course of action, and that there are several mechanisms in place for ensuring ministerial accountability. Should the Committee wish to see strengthened mechanisms for the accountability of Crown agencies (particularly, for self-funded Schedule II operational corporations, such as the Ontario Waste Management Corporation), Management Board officials suggested that such policy changes might constitute the subject for debate in the Legislature.

The Auditor concluded the hearing on Crown agencies by explaining that he included this section in his Report, because he believed there were certain areas where consideration might be given to the possibility of strengthening the role of the Legislature, particularly in the creation of new agencies and subsidiary agencies. In addition, in the case of self-funded agencies such as Ontario Hydro and the Ontario Lottery Corporation, which are not subject to Estimates review, budgets could perhaps be tabled in the Legislature in advance, or presented to a legislative committee. With regard to the matters of overlapping agency mandates and the inherent weaknesses of the Estimates review process, the Auditor simply wished to bring these concerns to the Committee's attention.

RECOMMENDATION:

#15. The Committee concurs with the concerns raised by the Provincial Auditor that:

- a) there are certain areas where consideration might be given to the possibility of strengthening the role of the Legislature, particularly in the creation of new agencies and subsidiary agencies; and
- b) with regard to self-funded agencies such as Ontario Hydro and the Ontario Lottery Corporation, which are not subject to Estimates reviews, budgets might perhaps be tabled in the Legislature in advance, or presented to a legislative committee.

The Committee therefore recommends that the Legislative Assembly examine the Provincial Auditor's concerns relating to the accountability of Crown agencies in a forum of its choosing.

Section 4.4 of the Provincial Auditor's 1983 Report:
Inadequate Premium Levels Resulting in Heavy Losses,
The Crop Insurance Commission of Ontario

The Crop Insurance Act (Ontario) of 1966 established the Crop Insurance Commission as a corporation without share capital, to administer plans of crop insurance established by regulations made under the Act. The Commission's audited financial statements for the year ended March 31, 1983 reflected total assets of \$4.0 million, a deficit of \$47.7 million and total liabilities (including advances of \$47.5 million from the Treasurer of Ontario) of \$51.7 million.

During the 1983 fiscal year, 45 separate crop insurance plans were in force. (This figure has increase to 49 plans for 1984). The Crop Insurance Commission is made up of farmers, and it is they who administer the plan. There are two ways in which a crop becomes insurable under the Act: a commodity organization may ask the Commission to establish a plan, or the Commission, on its own initiative, may introduce a plan.

Each crop is insured up to a certain percentage of the production of that crop for a particular farm. The production of a given crop is determined by the Commission in co-operation with the farmer, and is based on the "average farm yield" - the average size of the crop over a number of years.

Crop insurance premiums are based on loss histories. An actuarial formula developed by the Commission and Agriculture Canada is used to establish crop insurance premium rates. The premium rate is adjusted to reflect claim experiences over a 20-year period.

Currently, a number of plans are in a surplus position, while a number are in deficit. It is the intent of the Commission and a requirement of the legislation to have all plans in a balanced or break-even position over the long term.

The Provincial Auditor noted two major issues: the inadequacy of premium levels for certain crops, and the possibility of reinstituting a reinsurance agreement with the federal government. Officials from the Ministry of Agriculture and Food addressed these concerns before the Committee.

The Auditor noted that, while over half of the Commission's 45 crop insurance plans were in a surplus position, some were far from achieving this objective. One crop plan, in particular, registered heavy losses: the 1983 loss for flue-cured tobacco was \$51,091,904. By the end of the 1982 crop year, this plan had a cumulative deficit of \$71 million. (With the increase in premiums for flue-cured tobacco in 1983 to 9.63 percent, the deficit fell to \$59 million). The Auditor suggested that premium levels for flue-cured tobacco should be reassessed to build up the premium reserve to a surplus.

The tobacco premium rate was 3.2 percent prior to 1980. A blue mold loss in 1979 resulted in a 77 percent rate increase to 5.67 percent. Following the heavy frost losses of 1982, rates were increased to 9.63 percent. Tobacco generated about \$40 million in premium income and assumed about \$30 million in claims. Therefore, the Ministry felt that tobacco premium rates are adequate, and that the deficit is manageable and repayable before the mid-1990s.

Generally, the Ministry agreed with the Auditor's recommendation that premiums should be reviewed with the objective of eliminating deficits and building reserves. This was reflected in the fact that the average premium rate for all crops has increased from 7 percent in 1972 to 8.5 percent in 1983. The Deputy Minister emphasized the appropriateness of the crop insurance rates by pointing out that in 1983-84, although growing conditions were poor, the Commission was able to pay claims, interest, and reduce its debt.

Members of the Committee questioned the Ministry's use of computer models to determine simulated crop yield for insurance purposes. Some Members were concerned about the fact that, currently, no one on the Commission represented northern Ontario and that the computer programs seemed to be based on soil and weather conditions relative to southern Ontario only. Ministry officials stated that the computer model does take into account northern conditions of rainfall, sunlight and temperature. In addition, the program incorporates a substantial amount of individual yield sampling of crops, which usually corresponds fairly closely with the simulated computer yields. The computer program has been in operation for

six years. While reasonably confident that it has been accurate, the Ministry will continue to monitor its effectiveness and accuracy in determining growth conditions and crop yields.

Under the Crop Insurance Act (Ontario), the Commission may reinsure the risk (or part thereof) attached to its crop plans, with any other insurers. From 1967 to 1969 the Commission had such a reinsurance plan with the government of Canada, initially for winter wheat.

The Auditor recommended that, given the total risk coverage of \$470 million for 1982, the Commission should investigate the possibilities of re-entering into the reinsurance agreement with the federal government. Ministry officials stated that Ontario withdrew from the agreement when the Commission decided that the diversity of crops in Ontario and the percentage of good agricultural land would, in itself, dilute the risk. It was believed that losses would be less frequent and crop insurance rates might be lower. In addition, the agreement requires that Ontario contribute 15 percent of the total premium annually, to a federal fund which draws no interest. Also, a parallel provincial reinsurance scheme would likely accompany the federal one, which would also involve a 15 percent premium contribution. This would mean an automatic loss of 30 percent in premiums. Currently, Ontario cannot afford this.

Before the Province may enter into reinsurance, the Commission's deficit must be reduced to zero, and it does not seem possible to reinsure only selected high risk crops. Despite these restrictions, the Ministry of Agriculture and Food continues to conduct preliminary negotiations with the federal government on the entire issue. In the meantime, the Commission has borrowed about \$50 million from the Ontario Treasury and expects to be in a break-even situation by the early 1990s.

Section 4.5 of the Provincial Auditor's 1983 Report:
Audit of Management Controls,
Liquor Control Board of Ontario

Under Section 4.5, the Provincial Auditor reported the results of a management audit of selected operations of the Liquor Control Board of Ontario (LCBO), in response to a 1982 recommendation of the Public Accounts Committee. The audit included assessments of: the Board's planning process; management controls for ensuring due regard for economy relating to inventory and store development; recruitment of store employees; management controls for planning and monitoring the construction of a new warehouse facility; and internal controls for purchasing goods, services, and fixed and movable assets.

The LCBO was established in 1927 and is a corporation under the Liquor Control Act of 1975. It is a Schedule II operational Crown agency, and is not required to follow most of the administrative policies contained in the Ontario Manual of Administration. It is guided in its operations by a 1980 Memorandum of Understanding between the LCBO and the Minister of Consumer and Commercial Relations. In the Memorandum, the Board has agreed to adopt certain sections of the Manual that complement its business-like operations.

For the fiscal year ended March 31, 1983, the Board's total assets were \$154 million (with liabilities of \$88.4 million and retained income of \$65.6 million). The Board's net income was \$523.2 million and \$533 million worth of payments were made to the Treasurer of Ontario.

The Minister of Consumer and Commercial Relations attended the Committee's deliberations on this matter, together with the General Manager and other staff of the LCBO. The General Manager explained that the Board is guided in its operations by three primary objectives: to provide service to the public; to provide a sales outlet to the trade; and to act as a source of revenue for the Province. These objectives must always be kept in balance.

With regard to planning, the Auditor noted that there were no processes in place for policy development and operational planning. He also noted that

there was a lack of due regard for economy in the areas of inventory and store development. He cited the following examples in support of this conclusion:

- imported wines and beers were warehoused for up to six months in advance of need, thus tying up capital in inventory and incurring additional costs for outside storage;
- domestic inventory in warehouses was 40 percent in excess of target;
- formal criteria were not developed to assist the Board in deciding whether to purchase or lease stores; and
- tenders were not invited for the supply and installation of store fixtures.

In the written response to these conclusions, the Chairman of the LCBO pointed out that, in actual fact, the Board does have documented policies in place for many of its management activities. For example, there is a Store Operations Manual and a procedures policy booklet. With regard to performance indicators, a management control system designed to measure management performance is to be implemented. The Committee was informed of the development of a planning process that will include planning manuals and complete documentation. Action plans will be developed and resulting programs implemented through the next fiscal year. The management consultant firm of Woods Gordon conducted the review. The General Manager felt that with the management information system in place, management practices would be properly documented, thus providing a sound basis for measuring productivity and effectiveness. Officials from the Board stated that the Auditor's observations on inventory showed lack of appreciation of the ordering procedures for imported products. Although spirits can be shipped at any time during the year, wines and some liquors cannot be shipped in the winter unless they are in heated containers. If such containers are too expensive or in short supply, the Board must order its winter inventory by the preceeding fall. This inventory must be stored for a several months. The Board is conducting a study to determine the optimum inventory levels to be warehoused, and the practicability of more frequent winter shipments.

The Auditor's review indicated that there were no guidelines for the establishment of new stores, nor for deciding whether to purchase or to lease new stores. As of March 31, 1983, the Board operated 600 stores, of

which 274 were owned and 326 leased. It was explained that when services are required in a particular town or city, the district supervisors review the availability of properties in the area. On the basis of their recommendations, the Board would either negotiate lease arrangements, or, it would have a property appraised and make an offer to purchase. Generally, due to the high appraisal values involved, properties in urban areas are leased rather than purchased.

The Board has established a store development committee to review all aspects of store development. When establishing the location of a new store, whether it be urban or rural, the Board considers such criteria as population, volume of business, parking availability and the distance from other stores. These policies and procedures will be documented in the future.

The Auditor noted that competitive bids were not always obtained for suppliers of store fixtures, such as turnstiles and shelving. During the audit, the Board began requesting quotations from three suppliers, but emphasized that in the interests of uniformity and economy, only certain suppliers qualify in terms of certain specialized equipment.

As of March 31, 1983, the Board employed 3,476 permanent and 2,049 temporary employees. Of these, 2,757 permanent and 2,030 temporary employees worked in the stores. Total expenditures for salaries and benefits amounted to \$117.7 million, of which 79 percent related to store employees. The Auditor was informed that written guidelines and procedures reflecting the Board's operating circumstances and requirements for the recruitment of temporary and permanent employees did not exist. Although procedures for hiring staff were generally understood, the Auditor found that they were not documented, as suggested by the Ontario Manual of Administration.

In response to questions by the Committee, the General Manager stated that documentation is now being developed. The Board is reviewing procedures to decentralize the hiring of temporary staff and to assign this responsibility to the five area offices. This will be done when the formal procedures are

prepared, documented and sent to the field. The Committee requested a copy of the documented guidelines when completed.

It was pointed out that the skill base required for temporary help is minimal and therefore the applicants are not tested prior to being hired. There is, however, a routine testing and assessment of employees before appointment is made to permanent staff. Vacancies are generally filled by former temporary employees. The Board has a policy for the hiring of disabled persons, and is attempting to hire as many women as possible. When asked by certain Committee Members about patronage hiring, the Minister stated that only qualified people are employed by the Board.

During the audit, a regional warehouse was being constructed at Whitby, Ontario, to serve as a distribution centre for liquor throughout Ontario. Costs for the warehouse had increased from an estimated \$40 million in 1977 to \$105 million (excluding land costs) in January 1982. The Minister explained that while the project was approved in 1977, it was held back in 1979 due to government restraint. When the decision was made in 1980-81 to proceed, the estimate had risen to \$81 million. This estimate was submitted by a consulting firm and was based on designs for a larger warehouse than originally anticipated. The escalation of the cost from \$81 million to \$105 million was due to inflation. When the warehouse is completed this year, it will most likely have cost about \$100 million, excluding the cost of the land.

The Auditor agreed that the project had been generally well managed and controlled, but noted that the Board had not audited consultants' records which supported claims for expenses. He recommended that, since this may have resulted in overpayments to the consultants, the Board's internal audit department should conduct an audit of the consultants' supporting records. The Committee was informed that such an audit has been conducted and will be reviewed by the Provincial Auditor.

With regard to the Board's internal controls, the Auditor noted that they were generally adequate in the areas reviewed, although he found non-compliance with government policy on the private use of government vehicles, and a lack of authority for assigning an employee to chauffeur the Chairman on Board business.

Board employees using some 28 leased vehicles are permitted to use the cars for private purposes and reimburse the Board for any personal mileage incurred. The Auditor noted that government policy usually prohibits this, and he could find no evidence that approval was obtained from Management Board exempting the LCBO from this policy. The Minister pointed out that because the Board is a Schedule II agency, Management Board approval is not required, and that whether it is allowed or not, the Board feels that its current policy is in the best interests of all concerned. The policy will be reviewed, however, to ensure that it is a sound business decision.

An employee, whose job classification was that of a clerk, was also assigned to chauffeur the Chairman of the Board in the conduct of Board business. Within the Ontario government, however, chauffeurs are usually only permitted for Cabinet Ministers, and it was not clear as to what authority existed for the Chairman's chauffeur. The General Manager agreed that he knew of no specific documented authority for the practice, but felt there was a legitimate need for the service. The procedure would, however, be reviewed.

In terms of accountability, the Minister stated that he meets with Board about once every two months to review a variety of its operations and policies. The Board has its own internal audit department that conducts both financial and operational audits, which are reviewed by the General Manager of the Board, and the Provincial Auditor. As a Schedule II agency, the Board follows the Ontario Manual of Administration with relation to sound business practices, and is developing its own policy manuals in response to the recommendations of the Provincial Auditor.

Section 4.6 of the Provincial Auditor's 1983 Report:
Review of Computer Operations,
Liquor Control Board of Ontario

During 1982-83, the Auditor assessed the Board's electronic data processing (EDP) activities and associated controls. The components of the audit included reviews of: a) internal controls over the provision and use of EDP resources; b) management controls relating to the development and maintenance of data processing systems; and c) input, processing and output controls in selected systems.

The Board's EDP expenditures for fiscal years 1981 and 1982 were \$1.81 million and \$2.06 million respectively. For 1983, the budget was \$2.05 million. All data processing is carried out by the Data Processing Department of the Planning and Technical Services Division - the responsibilities of which are to direct and coordinate all systems development, programming and computer operations for the Board. The Board's mainframe computer was installed and leased in December 1979 and purchased in 1982. All computer systems are processed at the Board, with no external processing services used. According to the Board's 1982-83 Annual Report, there were 46 staff members involved in EDP activities.

Provision and Use of EDP Resources

The Auditor found that records for the procurement of, and control over, hardware and associated computer equipment were accurate and up-to-date; however, he noted that systems software performance was not being monitored properly and records were not maintained. It was expected that when a new portion of the operating system is installed and tested, systems performance monitoring would be undertaken.

The Auditor also noted that management controls over EDP personnel required strengthening. There were no standards against which management could measure productivity, job descriptions were either incomplete or inaccurate, and there was no formalized training program for EDP staff. Few systems software personnel appeared to be technically knowledgeable in the on-line and data base management systems areas.

The Chairman of the Board responded that he believed job descriptions to be accurate and that during 1982/83, \$21,897 was spent on training for EDP personnel. Management training needs will be assessed and considered at a future time.

Development and Maintenance of Data Processing System

A Data Processing Standards manual was written in 1975, and specifies that, with regard to all data processing projects,

. . . each phase is to end with a formal report to the management of Data Processing and the functional area. Management will review the results of each development phase and authorize in writing the start of the next phase.

The Auditor found that management approvals were not being obtained for these system development phases. Furthermore, the system for accumulating project costs did not provide sufficient information to assist management in the decision-making process.

The Chairman responded that a good deal of staff time was being absorbed by the Whitby (Durham) warehouse project, which was being approved by management through its various design and implementation stages. Nonetheless, in future, projects would adhere more closely to the Board's standards. The Auditor recommended that management establish a project cost accounting system to provide the necessary information upon which management control can be exercised.

Procedures for instituting changes to EDP systems were also described in the Data Processing Standards manual. The Auditor found the procedures to be adequate; however, they were not generally adhered to. Specifically, formal authorization for system changes was not obtained, documentation was not updated subsequent to programming, the implementation of changes was not properly segregated, and emergency changes were not subject to user-testing, user-review and approval, or proper documentation.

In his written response to these concerns, the Chairman of the Board explained that maintenance and procedures were changing at the time of the audit. He believed that new procedures would address these concerns.

Controls in Application Systems

The Auditor reviewed the input, processing, and output controls for two application systems designed to provide information concerning shipments and inventory from the warehouses to distribution centres. He found that internal controls for both systems were satisfactory, but in the case of the distribution centre system, documentation was below standard. He recommended that documentation be updated as changes are made to application systems.

The Chairman stated that some of the manuals which were developed in 1968/69, did not meet current standards and that the Board would strive to improve documentation.

In a short statement before the Public Accounts Committee, the General Manager of the LCBO stated that each of the Auditor's criticisms has either been rectified, or is in the process of being rectified.

RECOMMENDATION:

#16. The Committee notes, with approval, the statement made by the Chairman of the LCBO that EDP management training needs would be assessed and considered at a future time.

The Committee recommends that this be done immediately, that measurable training objectives be established, and that an evaluation and assessment of the training program be carried out.

Section 4.7 of the 1983 Provincial Auditor's 1983 Report:
Lack of Economy re Consulting Services,
The Live Stock Financial Protection Board

The Live Stock Financial Protection Board was established as a corporation without share capital on September 1, 1982 by regulation under the Farm Products Payments Act. The Board was constituted to administer the "Fund for Live Stock Producers", which was established under the same regulation. The Fund is designed to protect producers and sellers of beef cattle against financial losses incurred as a result of default in payments by dealers.

The Board operates as part of the Ontario Beef Cattle Financial Protection Program under which beef producers are protected as long as they deal with licensed buyers. A fee of 20 cents per head is charged to all parties to a sale, forming the Fund, against which claims can be made in case of payment default. The Board is responsible for collecting the fees, administering the Fund and approving claims.

The Auditor noted that as of March 1983, after seven months of operations, receipts (including a \$25,000 grant from the Ministry of Agriculture and Food) totalled \$567,000. Disbursements amounted to \$71,000, which created a balance in the Fund of \$496,000.

Officials from the Ministry of Agriculture and Food appeared before the Committee to discuss the establishment of the Board and to respond to the Auditor's concerns relating to the engagement of consulting services.

To assist in the start-up of the program, two consulting firms - Peat, Marwick, Mitchell and Company and Clarkson Gordon - were appointed to develop a financial responsibility assessment program for the first year of implementation. The firms were hired because of the urgency of the situation, the lack of regulation in the beef industry and because the Ministry did not have in-house staff with the requisite knowledge and expertise. Two firms were hired since "the assessment of financial responsibility would have created conflict of interest problems if only one firm were hired".

The firms commenced work in early June of 1982. At that time, the deadline for implementation of the program was August 1, 1982 and the consultants were to design a system for license application control, and to assess the financial position of the applicants based on financial information submitted by them. The Ministry paid the accounting firms about \$200,000 for their services, on the Board's behalf. In the Auditor's opinion, the engagement of these firms involved a lack of due regard for economy. The Deputy Minister of Agriculture and Food emphasized, however, that it was inappropriate to compare the work of the consultants in the initial stages of the program during 1982, with the subsequent work done in 1983 by internal Ministry staff, after the program had been launched and implemented by the consultants.

Of the \$200,000 paid to the consultants, over \$34,000 was spent on computer programming and service bureau costs. The Deputy Minister disagreed with the Auditor that this system proved unreliable; rather, it proved to be "cumbersome" and lacked efficiency. It was subsequently replaced by a Ministry microcomputer programmed by a co-operative student from Waterloo. This program proved to be more satisfactory and continues to operate effectively. The Ministry felt, however, that the \$34,000 spent for the "background" computer work represented value-for-money.

Most of the licensing application review procedures were performed by employees of the accounting firms at rates of \$35-\$55 per hour. The total amount charged for the service was about \$117,000. The Auditor noted the cost per individual application. Out of a possible 1,200 applicants, there were ultimately about 689. Of these, the consultant firms processed 425. This meant that the cost per application was \$275. There was no adjustment of the fee paid to the consulting firms because of a lower number of applications than anticipated. (The remainder of the applications were processed subsequently by the Fund Administrator of the Live Stock Financial Protection Board.) Currently, there are 597 licensed dealers under the program, and the Deputy Minister pointed out that the Ministry staff, having had the advantage of the work performed by the consultants in 1982, has been able to operate the program, since that time, both effectively and economically.

RECOMMENDATION:

- #17. The Committee recommends that, prior to hiring outside consultants, all ministries should conduct an analysis of in-house capability and define the goals and objectives of the consultations. Once the hiring has been done, ministries should maintain adequate monitoring of the consultants' work to ensure that value-for-money is achieved.

Section 4.8 of the Provincial Auditor's 1983 Report:
Lack of Competitive Bids re Advertising,
Ontario Lottery Corporation

The Ontario Lottery Corporation was established in 1975 under the Ontario Lottery Corporation Act. Its mandate includes the power to develop, undertake, organize, conduct and manage lottery schemes. Operating as a business organization, the Corporation is a commercially-oriented, Schedule II operational agency, as designated in the Ontario Manual of Administration.

The Corporation's audited financial statements, for the year ended March 31, 1983, as presented in Volume 2 of the 1982-83 Public Accounts, reflect total assets of \$59.9 million, with corresponding liabilities. Revenue from the year was \$512.3 million, and expenditures totalled \$348.8 million. The Corporation's advertising expenditures totalled approximately \$17.3 million or 31 percent of the Corporation's operating expenses.

The Auditor reviewed the Corporation's marketing department's operations, concentrating on Wintario, Lottario, and the Provincial - the three games with the largest advertising expenditures (totalling about \$13 million). The Auditor found that competitive bids were not obtained for the hiring of an advertising agency and subcontractors, and in the case of a new game feature for Wintario, some pretesting may have resulted in more effective advertising. The President and Chief Executive Officer appeared before the Committee to address these concerns.

In the case of Lotto 6/49, a new on-line game launched in June of 1982, the Auditor noted that competitive selection procedures were not used when hiring the advertising agency for the game. The agency was Foster Advertising, the Ontario government Agency of Record. A total of \$3.5 million was spent on advertising for this game, 15 percent of which was paid to the agency. The President explained that Foster was chosen without requesting bids or proposals from other agencies because there was only about one month between the time of Cabinet approval for the game and its implementation date. Foster was approved by the Board of Directors because it had the necessary expertise and proven track record.

The Corporation has six advertising agencies handling its lotteries: Hayhurst Advertising Ltd., Promovision Communications Ltd., Case Associates Advertising Ltd., Foster Advertising Ltd., McKim Advertising Ltd., and R.T. Kelly Inc. The decisions to hire these firms were made by the advertising subcommittee of the Corporation's Board of Directors.

In September 1983, the President offered to provide the Committee with a written account of the Corporation's advertising policy. As of June 1984, the policy was completed in draft form, and subject to approval by the Board.

During fiscal 1983, about \$600,000 in advertising production costs was subcontracted by the Corporation's advertising agencies, to other companies. In some cases, no competitive bids were obtained from possible suppliers; in others, the work was subcontracted to sister companies, and since the agencies were paid a commission on the cost of services and materials purchased, there was little incentive to acquire these at the lowest price. This situation has been rectified by the introduction of agency production estimate forms, and the Corporation feels that agencies are now obtaining competitive bids where necessary.

In April 1982, the Corporation introduced "Snowball", a new feature of Wintario. The Auditor noted that it was not pretested prior to its introduction; however, \$1.9 million was spent for its promotion. In December 1982, "Snowball" was abandoned, due to lack of player appeal. Although the Auditor understood that a significant portion of the \$1.9 million would still have been spent on Wintario generally, he recommended that all significant game changes be pretested prior to implementation. The Committee is in agreement with this recommendation.

The President pointed out that normally, major game changes are pretested. In this case, "Snowball" had been successful in other jurisdictions (the Atlantic Provinces) and the Corporation believed the public to be enthusiastic about jackpots, based on its experience with Lottario and Lotto 6/49. Even though "Snowball" was dropped, it did help stem a declining trend in Wintario sales by contributing about \$1.2 million to Wintario in an overall sense. And, in reality, only about \$300,000 to \$500,000 out of \$1.9 million was spent on advertising for "Snowball" alone.

A new scratch-off game, "Shoot to Score" was introduced in March, 1984. In this instance, the President remarked, pretesting would not have been necessary, nor worth the money. Research has proven the immense popularity of the scratch-off game, both in Canada and in the United States. The advertising agency for "Shoot to Score" is Case Associates.

Section 4.9 of the Provincial Auditor's 1983 Report:
Lack of Coordination re Future Pod Advertising,
Ontario Place Corporation

Ontario Place Corporation was established as a Crown corporation in May 1972, and currently operates as a Schedule 1 agency under the Ontario Manual of Administration. The Corporation's audited financial statements for the year ended March 31, 1983, are reproduced in Volume 2 of the 1982-83 Public Accounts. During fiscal 1983, the Corporation's advertising expenses totalled \$1,048,000. In addition, \$348,000 was provided by the Board of Industrial Leadership and Development (BILD) for Future Pod advertising exclusively, during the summer of 1982. The Provincial Auditor noted that the Corporation's overall advertising expenditures were not reduced as a result of the BILD funds for Future Pod.

According to a memorandum between the Ministry of Tourism and Recreation and the Corporation, all advertising related to Future Pod would be coordinated with the Marketing Department of Ontario Place. The Auditor noted that, in practice, the advertising effort for Future Pod was conducted with little consultation with the Corporation's Marketing Department.

Because Ontario Place's regular advertising, and advertising for Future Pod were both aimed at encouraging people to visit Ontario Place, the Auditor thought that the two advertising campaigns should have been coordinated to ensure that maximum value for advertising dollars was achieved. This might have resulted in a reduction of the Corporation's budgeted advertising expenditures, given the exposure resulting from Future Pod advertising.

In a written response to the Auditor's Report, the Chairman of the Corporation stated, "Ontario Place strongly contends that BILD funds devoted to Future Pod advertising should not be considered as part of the Corporation's advertising expenses." From the beginning, Future Pod, as an exhibit housed at Ontario Place, was designed to have a unique identity, and the Corporation felt that the "co-ordinated, but distinctly managed" advertising campaigns during 1982 achieved maximum results for both attractions, and were necessary to Future Pod's initial success.

The Deputy Minister of Tourism and Recreation and the Acting General Manager of the Ontario Place Corporation answered questions from Committee Members regarding this issue.

Funds were administered by the Ministry's Advertising and Promotion Services Group. The Deputy Minister stated that advertising was, contrary to the Auditor's opinion, coordinated with the Corporation's Marketing Department. Although, in 1982, the Marketing Manager did not have signing authority for advertising expenses, he/she was indeed involved in the advertising approval process. Effective in 1983, the Corporation's Marketing Manager assumed sole administration and control of Future Pod budgets, including those for advertising.

The Deputy Minister also explained that although the two advertising programs were separate in concept and funding, their strategies and impact were coordinated in terms of content, scheduling and media purchasing. In addition, the same advertising agency - Foster Advertising - conducted both campaigns. The two parallel campaigns, each with its own clear and distinct objectives, combined to establish awareness for the new Future Pod attraction and to reinforce and raise awareness of familiar Ontario Place attractions.

To totally integrate the two advertising programs as one program with an all-inclusive and reduced budget was, in the Deputy Minister's opinion, neither possible nor desirable. The Corporation was dealing with two different market strategies, and in the face of steadily-increasing media inflation (10 to 18 percent a year), there was no question of reducing the overall Ontario Place advertising budget. Total advertising costs for Ontario Place rose about 35 percent from fiscal 1982 to 1983.

The Deputy Minister pointed out that 30 percent of Future Pod visitors attended because of the advertising for Future Pod alone. Despite this, during the summer of 1982, overall attendance remained the same as the previous year, even with increased advertising expenditures. The Deputy Minister speculated that without the additional funding and promotional support for Future Pod advertising, there may have been an overall decline in Ontario Place attendance for that year.

Section 4.10 of the Provincial Auditor's 1983 Report:
Irregularities re Engagement of Consultants and Other Matters,
Ontario Waste Management Corporation

The Ontario Waste Management Corporation (OWMC) was established on July 3, 1981 and is a Schedule II operational Crown corporation under the Ontario Manual of Administration. As such, it is not subject to most of the administrative policies in the Manual, but is guided in its activities by its enabling legislation and a Memorandum of Understanding with the Minister of the Environment, dated November 15, 1982.

For the 1983 fiscal year, total assets amounted to \$1,206,000, with offsetting liabilities of \$905,000 and a surplus of \$301,000. Revenue for the year (including grants of \$4,900,000 from the Province) was \$4,917,800 and expenditures totalled \$4,828,000. The Corporation is intended to be self-funding, but does, upon occasion, receive funds from the Consolidated Revenue Fund. For this reason, it was included in the 1982-83 Estimates of the Ministry of the Environment under Vote 2104, Item 3.

In his 1982 Report, the Provincial Auditor dealt with three major areas of concern pertaining to the operations of the Corporation: employee benefits and remuneration; payments to engineering consultants; and the appointment of auditors. Officials from the Corporation appeared before the Public Accounts Committee on two occasions in 1983, to address these issues.

Section 4.10 of the Auditor's 1983 Report contained several additional matters which apply to the Corporation's operations during the 1982-83 fiscal year. These matters dealt with: a) irregularities, including the lack of competitive bids, in the engagement of consultants; b) uneconomical editing and transcription services; c) the Chairman's new salary arrangements; d) nonrecovery of salary overpayments to Corporation staff; and e) the excessive cost of boardroom chairs.

When the Chairman of the Corporation appeared before the Committee to discuss these issues, he acknowledged that this was his third visit, and that the Auditor's concerns raised important questions concerning the accountability of the Crown agency, its spending policies and its efforts to

achieve value for the public money it is expending. He pointed out that the Auditor's concerns related to the 1982-83 fiscal year, when the Corporation was still a young and rapidly growing organization, recruiting staff in key areas. The Chairman agreed, however, that during this time, there were some errors of omission made by the Corporation, and he outlined new procedures for addressing the problems raised by the Auditor.

First, the Corporation is now working very closely with the Provincial Auditor's office to seek its advice on specific measures to improve corporate practices. Second, a liaison committee, consisting of senior Corporation management and the Ministry of the Environment, has been established and it meets regularly. Third, purchasing policies are now consistent with the Ontario Manual of Administration and the Corporation is completing its own comprehensive manual of administration which is under review with the Provincial Auditor, and which will be forwarded to the Public Accounts Committee. Fourth, the appointment of a director of administration and finance was about to be finalized, and finally, the Corporation continues to fill professional positions with contract staff rather than permanent staff, where practical. Thus, in 1984, there was a total of 26 professional staff, 14 of whom are one-to-three-year contracts.

The Auditor noted several instances in which competitive bids were not obtained when hiring consultants. In one case, the firm of Hay Associates was paid \$30,795 for preparing job descriptions and recommending salary ranges for the Corporation's employees. It was also noted that the Vice-President of the firm provided virtually all the services, for a per-diem fee of \$1,300. The firm was apparently recommended by a member of the Corporation's Board of Directors, and no other competitive bids were obtained.

The Chairman pointed out that the Corporation had used Hay Associates, because it is regarded as the best among personnel specialists. In determining salary ranges, Hay Associates consulted with the Ontario Civil Service Commission and a number of agencies and companies in the private sector. The fact that the Vice-President's per-diem fee increased from \$800-\$900 in 1981-82 to \$1,300 in 1982-83 is attributable to inflation. Of

the \$30,795 paid, 92 percent was for the Vice-President's professional fees. Approximately \$800 was charged for the services of junior members of the Hay consulting team. The Chairman stated that during the 1983-84 fiscal year, the firm was hired for about eight days. Now that the system is established, the services of Hay Associates are no longer required. In terms of salary increases, the Corporation has followed the Ontario government's restraint guidelines.

In a second case, the consulting firm of Peter Barnard Associates was engaged to assist in the development of the Corporation's corporate plan and the facilities system selection. Expenses for this service increased to \$111,000 for fiscal 1983, from an original estimate of \$22,000. Again, no other competitive bids were obtained, and the firm was recommended by a Corporation employee.

The Chairman explained that, in 1982-83, the particular services of the firm were urgently needed and the Corporation's director of corporate planning recommended the firm and the individual involved, because there was a high level of expertise demonstrated. When the consultant was originally hired, it was not anticipated that his work would extend beyond the original expectation. However, the work escalated over a period of months and three members of the firm became involved. The hourly fees charged by the firm were \$120/hour for the principal, and \$90/hour and \$60/hour for two other members. The original letter of intent between the Corporation and the firm was sent to the Committee. The Chairman agreed that the work should have been tendered and that certain errors of omission had been made. He pointed out, however, that the firm had provided excellent service, its work was closely monitored by the Corporation, and that once the work was completed in January of 1983, the consultants were promptly released.

The Auditor noted four other instances, involving a) an interior design consultant paid \$27,000, b) a consultant paid \$12,600 to recruit a Corporation planner, c) a production company paid \$10,000 for audio-visual tapes, and d) two payments of \$22,295 and \$13,379 for editing and

transcription. In these cases, no apparent competitive selection procedures were followed. The Chairman emphasized that, in future, the selection of services would conform to Ontario government policies and guidelines. As the head of a newly-established Corporation, he had been unaware of the administrative policies contained in the Manual of Administration. At present, and in the future, with the aid of the Provincial Auditor and Ministry of the Environment staff, such problems are, and will be, rectified.

In 1982, the Auditor reported that per diem payments made directly to the Chairman, and salary reimbursement payments to the University of Toronto on the Chairman's behalf, totalled about \$100,000. As of February 28, 1983, the Corporation had paid \$62,650 of per diem charges and had made salary reimbursement payments of \$50,300 to the University of Toronto. In a written statement to the Auditor, it was pointed out that effective March 1983, the base salary for the Chairman would be \$80,000 per year. In addition, there will be a payment in lieu of benefits of \$8,000 and an executive car provision of \$4,800. This arrangement is thought to be consistent with that for a senior deputy minister.

The Auditor noted that three Corporation employees were overpaid by a total of \$1,224 during 1982-83. Initially, the Corporation did not intend to recover these funds; however, a subsequent decision was made to recover the salary overpayments. The Chairman explained that until the Auditor reported the overpayment, the Corporation was unaware of the situation.

Finally, the Auditor commented on the fact that 22 boardroom chairs were purchased by the Corporation at an average cost of \$761 each. It was noted that quality executive chairs could be purchased through the Ministry of Government Services for \$279 to \$513 apiece.

The Chairman pointed out that, although there are only seven Board members who meet about once every six weeks, 22 boardroom chairs were purchased because the boardroom is also used for planning sessions, meetings, seminars and workshops. Because of the heavy demands made on the boardroom furniture, it was decided that long-term durability and practicality were the overriding criteria in the selection of chair design and fabric. The chairs selected were production run models but were not

purchased through the Ministry of Government Services, since the supplier was not listed with the government.

In summation, both the Provincial Auditor and the Committee felt that the OWMC had, during the past year, been making every attempt to address the concerns raised in the Auditor's Reports and to ensure that its policies and procedures are consistent with those followed by the Ontario government. With the growing maturity of the Corporation, the Provincial Auditor expected future audits to be "less critical than in the last two years."

Section 4.11 of the Provincial Auditor's 1983 Report:
Potential for Increased Economy and Efficiency re
Operation of M.S. Chi-Cheemaun, The Owen Sound
Transportation Company, Limited

The Owen Sound Transportation Company, Limited was incorporated as a private company on March 10, 1921. Since October 1973, the Company has operated as a wholly-owned subsidiary of the Ontario Northland Transportation Commission. The Company provides a ferry service (the M.S. Chi-Cheemaun) for passengers and vehicles between Tobermory on the Bruce Peninsula and South Baymouth on Manitoulin Island. The ferry travels a distance of 45 km in a 1-3/4 hour, one-way trip. The boat holds about 140 cars and 600 passengers, and features a cafeteria, lounge and tuck shop. During the 1982 season, the ferry handled 240,000 people.

As at December 31, 1982, the Company's assets totalled \$7.62 million. Revenue for the year was \$3.71 million and expenses were \$3.66 million, resulting in a net income of \$54,000 which was returned to the Province.

In 1982, vehicle and passenger fares accounted for about 82 percent of the Company's total revenue. (This rose to 83 percent in 1983). Approximately 86 percent of the total revenue was generated during June, July, August and September. Salaries and fuel accounted for about 70 percent of the total operating costs of the vessel excluding depreciation. Most staff are employed for the sailing season only; therefore, costs vary with the length of the sailing season. For the 1982 season, salaries and wages amounted to \$1,722,402, for some 60 employees. Only four of these were year-round employees and salaries ranged from \$14,000 for a seasonal, unionized crew member to \$48,000 for the position of captain.

In his review of the operations of the ferry service, the Provincial Auditor noted certain issues with regard to economy and efficiency. In his opinion, the sailing season was too long, the winter lay-up too costly, and the size of the crew was larger than required. The Deputy Minister of the Ministry of Northern Affairs, together with the Chairman and senior staff from the Ontario Northland Transportation Commission responded to these issues before the Committee.

It was explained that the objective of the operation of the Chi-Cheemaun was of a three-fold nature: to provide a transportation link between the Bruce Peninsula and Manitoulin Island for local residents; to meet the needs of tourist traffic; and to accommodate commercial truck traffic. Tourist traffic comprises about 80 percent of all users. It is not the purpose of the Commission to make enormous profits through this operation; rather, simply, to cover the costs of providing a basic transportation service. In this regard, over the past years, it has either broken even, made a profit or suffered very marginal losses. Many of the Committee Members praised the efficiency of the operation.

The sailing season runs from about the last week of April to the middle of October each year, with the actual opening dates varying from year to year. In 1982, the season opened on April 23rd. Due to the low volume of traffic during the first week of service, the Auditor noted that \$30,000 would have been saved had the opening been delayed for a week. The Auditor suggested that the Commission look into the implications of establishing a slightly shorter sailing season. Some Members of the Committee questioned the Auditor's mandate in this regard, as they felt this was a policy issue best left to the Commission's judgement. The Commission pointed out that traditionally, the ship sails the last Friday in April; however, in attempts to ensure that the season is adequate to serve both local and tourist needs, the Commission concurred with the Auditor that the date could be moved a little closer to the summer season. The operating season is reviewed annually in order to balance service and financial loss.

The Chi-Cheemaun is laid up in Owen Sound throughout the winter months, during which time, the ship is heated to prevent the piping system and other materials and electrical equipment from freezing. The Auditor pointed out that for 1981-82, heating costs totalled about \$65,000 in fuel alone and suggested some alternatives for saving these costs. Commission officials have noted the alternatives and have instituted certain cost-saving measures such as increasing insulation, lowering the heat in certain parts of the ship and sealing openings.

The Auditor noted that five crew members in excess of union agreements were hired during 1982 and that no formal method for measuring the productivity or requirement of crew members existed. Commission officials explained that the crewing of a ship is governed by the Canada Shipping Act in terms of minimum numbers for handling the volume of passengers, and by union agreements for providing services to these passengers. It was felt that, with the possible exception of the bosun's position, there were no excess crew members on the ship.

The Owen Sound Transportation Company has prepared a report comparing the operations of the Chi-Cheemaun to four other ferry operations in Canada. When it is reviewed by the Board of Directors and the Commission, it will be made available to the Committee.

SPECIAL REVIEWS

Section 5.4 of the Provincial Auditor's 1983 Report:
Advances and Loans Repayable From
Annual Expenditure Appropriations

The Public Accounts of the Province, which are published in three volumes, are prepared by the Ministry of Treasury and Economics each year under the direction of the Treasurer of Ontario. The first volume contains the financial statements of the Province, together with a review of other statements and schedules.

Included in the financial statements is the Statement of Assets and Liabilities, which reflects financial claims that have been created by cash transactions. Recorded assets are claims by the Consolidated Revenue Fund on other parties; the liabilities are claims by others on the Consolidated Revenue Fund. Since expenditures on fixed assets do not represent financial claims on other parties, they are not reported as assets, but are treated as non-recoverable expenditures (budgetary items) in the year of acquisition.

The balances of advances, investments and loans by the Province are contained in the Statement of Assets and Liabilities. In the Schedules to the Statement of Assets and Liabilities (Public Accounts 1982-83, Volume 1, pp. 2-28 and 2-31), there is a summary of the balances of advances and investments by the Province in corporations, boards and commissions other than Ontario Hydro. In addition, the balances of other loans and investments, including loans to public hospitals, are presented. The 1983 advances and investments in corporations, boards and commissions totalled \$4,203,552,530 and other loans and investments amounted to \$176,889,482.

These recorded balances do not necessarily represent the amounts the Province expects to actually realize. As stated in the Summary of Significant Accounting Policies, the funds required to repay some of the advances and loans included in the recorded assets are effectively provided out of future Provincial expenditure appropriations.

Under Section 5.4, the Auditor discussed, for information purposes, four examples of such loans and advances, for which funds are provided by the Legislature. In the first three situations, direct grants to institutions now

replace discontinued loan programs. In the fourth case, involving the Development Corporations, uncollectible loans are repaid by monies appropriated by the Legislature. Officials from the Ministry of Treasury and Economics reviewed the subject with the Committee.

The Ontario Universities Capital Aid Corporation

Until March 31, 1978, the Corporation received advances (in the form of loans) from the Province to purchase bonds or debentures issued by colleges, universities and related institutions for capital construction purposes. Effective April, 1978 this loan program was replaced by grants from the Province made directly to the institutions.

In the meantime, however, the Corporation continues to administer the repayment of the outstanding loans. In this regard, the debenture debt of issuing institutions is repaid, with interest, to the Corporation by utilizing funds from the Consolidated Revenue Fund which are appropriated annually by the Legislature. The Corporation, in turn, utilizes these funds to repay, with interest, its advances from the Province. During the 1983 fiscal year, \$111,296,874 was included in the Provincial grants, to cover the amounts of principal and interest due to the Corporation from issuing institutions.

Currently, almost all of the advances of \$1,081,736,370 to the Corporation are repayable out of future years' Provincial expenditure appropriations.

The Ontario Education Capital Aid Corporation

The situation with respect to a payment of advances totalling \$1,026,387,000 from the Province to the Ontario Education Capital Aid Corporation is similar to the above example.

Until March 31, 1980, the Corporation received advances (loans) from the Province to purchase bonds or debentures issued by school boards for capital expansion programs. Under this program, an average of 75 percent of the advances are subject to Provincial grants and are repayable out of future years' expenditure appropriations. After April 1980, the loan program was replaced by grants to school boards from the Ministry of Education.

Treasury officials explained that when these Corporations were created, two specific situations prevailed - the "baby boom" and the availability of Canada Pension Plan money. The baby boom resulted in a mass of activity in the 1960s and 70s, and produced a problem in the construction of schools, hospitals, universities and colleges. These Corporations were designed to accomplish the massive increases in construction that were required at that time. With the arrival of the Canada Pension Plan, Ontario's policy was not to allow municipalities, school boards, etc., to borrow directly from the CPP, but to have the government act as a funnel from which CPP funds would flow. In 1978, with the baby boom over and the resultant diminished activity, the policy was altered, to handle the funding for such projects by grants rather than advances.

Public Hospitals

In a similar vein, under a program discontinued in 1978, public hospitals used loans advanced by the Province for capital construction purposes. As of March 31, 1983, loans of \$163,794,816 to public hospitals are partially repayable out of future years' Provincial expenditure appropriations. The funds allow the hospitals to repay their loans, with interest. For the 1983 fiscal year, grants totalling \$13,588,734 assisted public hospitals in meeting principal and interest payments. This figure represented about 60 percent of the total loans repayable.

No new loans have been made since March 1978, when the Ministry changed the capital financial support program from loans to grants.

The Development Corporations

The three Development Corporations (Ontario, Northern and Eastern) provide loans and arrange for Provincial guarantees of bank loans to qualified businesses. Provincial advances (out of the Consolidated Revenue Fund) to the Corporations include those for term loans made by the Corporations.

Each year, however, the Corporations write off certain term loans that are considered to be uncollectible. When such loans are written off, monies

appropriated by the Legislature are given to the Corporations as grants to repay the corresponding advances from the Province. For the year ended March 31, 1983, \$7,268,368 was provided and repaid through this process.

Treasury officials explained that loans to municipalities for capital projects, for example, appear on the Province's books as loans. The municipalities record them as capital assets on their books. The Province, therefore, has no capital assets per se, on its books. Treasury deals with the flow of money, and capital assets are paid out of revenues or funds raised in a current year.

In most years, the capital investment has been greater than the net cash requirement, so the Province has not been working with an operating loss. In the current budget, there are some \$2.4 billion in capital assets being created. The details of these assets are found within the individual responsible ministries.

The Provincial Auditor emphasized that he included this section in his report because, although the practice of repaying these loans and advances is fully disclosed in the financial statements of the Province, the situation is somewhat unusual, involving large amounts of money. He wished to point out that a reader of the Province's financial statements would normally expect that the assets listed would, at some point, be realized in actual cash; however, the statements contain some \$2 billion worth of assets which are not realized in the normal sense of the word. They will, in effect, be realized by money that will come out of future years' expenditure appropriations of the Province. In effect, the Province is paying back these assets to itself.

In a similar vein, the Provincial Auditor raised the issue of the Province's "net debt", a category included in the Statement of Assets and Liabilities. Treasury officials defined net debt as being the accumulation of the Province's surpluses and deficits since Confederation. It is a balancing concept which, as part of the accounting system, is used to ensure that the assets shown, add up to the liabilities shown, on the balance sheet. The concept is confusing and not generally well understood. It is not a particularly effective indicator of Ontario's financial position; it is only a

balancing number regarding financial claims and obligations. Instead of using the concept of net debt, Treasury feels that financial analysts would look more closely at the actual funded debt - that is, the total financial obligations as listed under liabilities -- to assess the vibrancy of the Province's economy and its ability to generate revenue and to utilize funds wisely.

Deposit Trust and Reserve Accounts

In Ontario, various accounts designated as Special Accounts exist within the Consolidated Revenue Fund. Many are statutory in origin, indicating that certain monies will be deposited to the Treasurer and paid out under certain circumstances. Funds remain with the Province until such a time as monies are withdrawn.

Under the category of deposit trust and reserve accounts, as of March 31, 1983, there was a total of \$872 million, of which \$743 million was for the Public Service Superannuation Adjustment Fund (PSSAF). The other major fund, the Public Service Superannuation Fund (PSSF), is not actually categorized as a deposit trust and reserve account. It is a separate fund. The PSSF pays the basic pension benefits of about 80,000 Provincial employees. The Adjustment Fund is used to furnish money for the indexation of benefits.

The PSSF was the second major public sector pension benefit fund established in Ontario. It was created in 1920, three years after the Teachers' Superannuation Fund (TSF). Until the mid-1970s, adjustment of benefit payments under the PSSF was accomplished on an ad hoc basis. That was not a particularly desirable situation, because the adjustments were not made on a regular basis and they depended on the willingness of the employer to provide funds. The result for public sector employees was a more or less constant erosion of their pension benefits by inflation.

On July 18, 1975, the Superannuation Adjustment Benefits Act (SABA) came into force. It established both the Public Service Superannuation Adjustment Fund and the Teachers' Superannuation Adjustment Fund, both of which are administered separately, but under the provisions of SABA.

The decision to create the PSSAF meant a number of things. Fundamentally, it was meant to involve both the employer and employee in the provision of funds for adjusting pension benefits. SABA established the principle of the employer (the provincial government) and the employee (public servants) each contributing one percent to a fund, created as a Special Account in the Consolidated Revenue Fund. The money

accumulated in the fund would be used to provide some amount of indexation to contributors for current pension benefits.

SABA set an annual cap of eight percent on the adjustments to benefits. In the beginning, it was expected that most annual inflation adjustments would be below the eight percent cap, which would mean that the two percent employer/employee contribution rate would be sufficient to maintain the financial integrity of the fund. This has not been the case, and pension benefits, despite the fund, are being eroded by inflation once again.

The Royal Commission on the Status of Pensions concluded that a contribution rate sufficient to maintain the financial integrity of the PSSAF would be unacceptably high for both employees and the employer. The Select Committee on Pensions, while agreeing in principle with the Royal Commission's analysis of SABA and the PSSAF, also made a number of proposals which were fundamentally different from those of the Royal Commission. The Select Committee recommended:

- that SABA and the PSSAF should be phased out;
- that the adjustment of benefits should be paid directly out of the PSSF, using the excess interest approach; and
- that monies in the PSSF should not be invested in government debt instruments, but in marketable securities.

The Deputy Minister and other officials from the Ministry of Treasury and Economics elaborated upon various aspects of these accounts before the Committee. They informed the Committee that, to date, Treasury is reviewing the recommendations of both the Royal Commission and the Select Committee by studying all employment pension plan reforms. This includes not only the private sector but the public sector as well, and the Superannuation and Adjustment Benefits Act and the PSSF. Treasury is also participating in a national agreement for pension reform in light of all plans and specific public sector pension plan issues.

The Public Sector Superannuation Plan is the basic plan. As of December 31, 1982, the unfunded liability for the Plan was \$121 million. This is being

amortized over a 15-year period with payments of about \$14 million from the Consolidated Revenue Fund.

The Provincial Auditor pointed out that the Superannuation Adjustment Fund shows a combined financial statement in the Public Accounts that covers both the Public Service and the Teachers' Superannuation Funds. Payments are made out of the PSSAF to people who have contributed to the fund. In 1983, \$16.3 million was paid out of the fund to protect pensions from inflation. In addition to that, some \$36 million was paid directly out of the Consolidated Revenue Fund to cover inflation for people who had never contributed to the PSSAF. In addition, during 1983, \$19.1 million was paid out of the Adjustment Fund for teachers' superannuation and \$74 million paid directly out of the Consolidated Revenue Fund.

The Auditor stated that it is generally assumed that the Superannuation Adjustment Funds are looking after all the inflation protection that is going out to pension recipients. But, he suggested, more money will likely be coming out of the Consolidated Revenue Fund than out of the Superannuation Adjustment Fund for many more years.

Treasury officials responded by stating that this practice is not inconsistent with that of the private sector, if payments from the Consolidated Revenue Fund are equated with a company's cash flow. The practice in private companies of financing inflation protection for the retired population from cash flow is quite widespread. Historically, teachers, for example, agreed to make larger contributions to the plan, but many had already retired before this happened. It was deemed unfair to have present teachers contributing for those who had not contributed prior to retirement, so the government has assumed the total liability for those people. Treasury continues to monitor the situation.

Cash Management

In fiscal 1982-83, the Province had cash and temporary investments with an attributed value of \$1,167 million. Management of cash and temporary investments is the responsibility of the Finance Management Branch of the Ministry of Treasury and Economics. The Branch has a dual role combining operating responsibilities with finance policy functions. Its operating responsibilities relate to cash management, investment and borrowing activities. The policy role relates to finance policy generally, and includes capital market monitoring and intelligence gathering, international capital activities and the like.

The Deputy Minister and other senior officials from the Ministry of Treasury and Economics appeared before the Committee to discuss various aspects of cash management in the Ontario government.

"Cash management", in the purest sense, represents a collection of systems and procedures designed to provide an accurate forecast of the cash resources available at any time. Cash management techniques are employed to test the viability of revenue receipts, together with the historic cashing patterns of cheques. Computer models are used extensively in this type of analysis. The resulting forecast, usually covering a 14-month period in the future, and its forecast reliability, is the essence of the cash management program.

"Cash management" is also a term used to refer to investment of temporary surpluses or liquid reserves. The two are, however, quite distinct in terms of function. Cash management systems involve the co-operation of all government ministries; the investment activities are exclusively managed by Treasury and involve a separate set of considerations.

Investment activity is at least partially determined by legislation. The Financial Administration Act (R.S.O. 1980, Ch. 161, S. 3(1a) - 3(1e)), specifies the types of securities which the Treasurer may purchase. Treasury selects investments for the Province using three principal criteria: security, liquidity, and profitability.

The Financial Administration Act permits Treasury to select from a wide range of securities, with an R1-rating (the security equivalent of a triple-A rating for a borrower of money). Securities are purchased from the federal government and from chartered banks, including Schedule B (foreign) banks. Purchases from the federal government are confined mainly to Treasury bills. These are chosen primarily because they can be easily liquidated. Bankers' acceptances are the preferred private security because they are somewhat more profitable than other forms of bank commercial paper. Treasury also periodically buys non-bank commercial paper, provided that it meets the liquidity requirement. In terms of the liquid reserve portfolio, almost all investments are in Canadian dollars.

All financial forecasting is based on the Budget, which provides the starting point for an accurate system of cash forecasting. The Budget also lays out a financing plan which includes an adjustment to liquid reserve levels. This helps to determine the financing requirements and the level of liquid reserve investment required. Traditionally, during the first few months of each fiscal year, there is a large draw on capital resources, with expenditures in the form of grants, transfer payments, etc. A total-year plan enables Treasury to have sufficient liquid reserves to build up the reserve when needed. Treasury has control on the minimum amount of liquid reserves at any one time, and conducts a forecast on a daily basis of cash requirements to meet cheques that are issued. The overall objective is to have zero uninvested cash balances daily, and there are performance targets to monitor this.

In 1984, the revenue generated from short-term investments (90-100 days) is estimated to be about \$120 million. The government does not deal with trust companies - the amount of money and the time frames involved do not represent practical investments.

Treasury deals with some 12 money market dealers, as well as five or six of the major banks. The Province also has an underwriting syndicate with a management group of five dealers: Wood Gundy; McLeod Young, Weir; Dominion Securities; Burns; and Pitfield. As part of their mandate as underwriters, they are also financial advisers. Treasury meets with the economic staff of these firms on a quarterly basis, and with the marketing

staff on a monthly basis, for purposes of both borrowing and investing.

Ontario's deficit (of some \$2.7 billion) is managed by going to the bond market for two 5-year issues of \$300 million and \$200 million, with the balance financed by a 91-day Treasury bill program sold at weekly auction. Thus, \$1.15 billion has been borrowed in the public markets, and the balance has been borrowed from the Canada Pension Plan and the Teachers' Superannuation Fund, both for 20-year terms. Currently, the Province of Ontario Savings Office represents about \$650 million of constant demand funds on deposit in the Consolidated Revenue Fund, provided by some 100,000 depositors.

The Province has also instituted an "asset selection model" which enables Treasury to select the maximum term on a daily basis that can be utilized to produce the optimum investment term, based on interest rates. This will determine which securities will give the maximum rate of return consistent with requirements for available cash.

With a daily cash flow of over \$100 million, the Province must ensure that revenues are received promptly, that expenditures are planned for and adequately controlled and that surplus cash is invested intelligently. The Assistant Deputy Minister of Treasury remarked that the Provincial Auditor had concluded in 1983, that ". . . generally the ministry maintains an efficient and economical cash management operation".

The Contingency Fund and How It Operates
in the Ontario Government

The Assistant Secretary of Management Board of Cabinet appeared before the Committee to discuss the Contingency Fund and how it operates in the Ontario government.

There exists a Contingency Activity within the Estimates of Management Board (Vote 401, Item 4) which provides for the estimated cost of salary revisions and employee benefit awards for government employees. The Contingency Fund also appears in the Province's Statement of Budgetary Expenditure and is explained under note 10 to the financial statements. Ministries prepare their Estimates in the fall preceding the fiscal year covered by the Estimates, using the actual salary rates in effect at the time of preparing their Estimates submission. Budgets for salaries/wages and benefits are calculated on the basis of staff complement and salary/wage levels as of October of the current year. Although the Collective Agreement dates are known in advance, the actual timing and amount of the salary revisions are uncertain because of the collective bargaining process and the need to calculate the effect of changes in total compensation for each job classification. Even under the Inflation Restraint Act, these detailed calculations cannot be made until after the beginning of the fiscal year. Ministries cannot build provisions into their Estimates because of this uncertainty; therefore, cost-of-living adjustments are not included in the budgetary projection. In part, the absence of a COLA component reflects the fact that it is usually determined annually, at least partially as a result of negotiation. Monies for COLA and unanticipated changes in benefit costs are set aside in the Contingency Fund once the level of COLA is known, usually after the first few months of the new fiscal year.

Contingency Funds come into play toward the end of the fiscal year. Monies are set aside in June or July, once the Civil Service COLA levels have been decided. But the monies are held by Management Board in Contingency Funds and are not distributed to the ministries. They are distributed before the end of the fiscal year, in amounts equalling each ministry's increased requirement for funds due to COLA and/or benefit adjustments.

The Contingency Activity increases the government's control and accountability over the use of the funds because ministries must justify their actual requirements for salary revisions. No expenditures are charged against the Contingency Activity. Costs are incurred and charged to the various ministry Votes and Items under which staff are employed, as part of the regular payroll costs, with Management Board making the necessary changes in the stated appropriations for each of the ministries.

As salary revisions are approved, the revised salary rates and employee benefits are reflected in the employee paycheques. To the extent that these expenditures cause the Activity total to exceed the amount in the printed Estimates, a Management Board Order is required to augment the appropriation. Within the overall government expenditure plan, these funds are offset by underspending in the Contingency Activity. In effect, the Management Board Order is reallocating the Contingency amount to the various ministries requiring the funds to meet their increased payroll costs.

Upon request by the Provincial Auditor, the Assistant Secretary explained the difference between a certificate of transfer and a Management Board Order vis-à-vis the Contingency Fund. The provision for the use of the Management Board certificate of transfer is embedded in the Supply Act and is used to transfer funds from one ministry to another, particularly if a new ministry is created. In the case of the Contingency Fund and salary revisions, it is not really a transfer of responsibilities of one ministry to another; it relates to costs in a particular and appropriate program. Therefore, Management Board Orders, rather than certificates of transfer are used.

The Auditor expressed his concern, from an audit standpoint, that under the current Contingency Fund system, more money will be authorized than will be actually required in any one year. Management Board officials agreed that in terms of funding approvals, this is theoretically correct. However, in terms of actual expenditure, it does not usually happen this way.

Management Board Orders and Special Warrants

Introduction

Both Management Board Orders and Special Warrants are integral components of the government's expenditure cycle and Budgetary or Estimates process. The Assistant Secretary of Management Board, Programs and Estimates Division, appeared before the Committee to discuss the two instruments of funding.

The Main Estimates of the ministries appear after the presentation of the Budget in the Legislature - usually in the spring of each year. They contain the planned expenditure allocations and Statutory Appropriations which have been approved by Management Board of Cabinet. For legislative purposes, the expenditure allocations are treated as Votes and are dealt with, in the Legislature, as part of the Supply Debate in accordance with the Standing Orders.

In addition to the Main Estimates, the government also produces, and tables, Supplementary Estimates. They also provide details of proposed spending, and are prepared when sufficient amounts were not provided in the Main Estimates.

Authorization for the payment of funds contained in the Main and Supplementary Estimates is granted by the passing of a Supply Act. The Supply Act permits ministries to draw on their allocations from the Consolidated Revenue Fund. In addition to the Supplementary Estimates, there are two additional methods by which increases in appropriations may be obtained from the Fund. These are Management Board Orders and Special Warrants.

Management Board Orders

Management Board Orders permit the government to increase the amount of money appropriated in the Estimates without legislative scrutiny. Authorization for issuing Management Board Orders is provided under Section 5 of the Management Board of Cabinet Act, which states:

Where an appropriation is exhausted or a sufficient amount was not provided and the public interest or the urgent requirements of the public service necessitate further payments, the Board, upon the report of the Minister of the Ministry concerned as to the necessity for further payments and stating the reason why the appropriation is insufficient and the amount estimated to be required, may make an order authorizing payments to be made against such amount as it considers proper.

In accordance with Standing Order 51 of the Legislative Assembly, Management Board Orders are printed in the Ontario Gazette, with an explanation of significant variances from the printed Estimates.

Generally, Management Board Orders are not used to cover major spending increases. As explained in a note in the Public Accounts 1982-83 (Volume 1, p. 4-268) funds are made available to ministries by Management Board Order to meet increased payroll costs. They are also used for funding items under \$1 million and for funding items of urgency. On average, two percent of the Province's total expenditure has been approved by Management Board Order over the past ten years. The authority for Management Board Orders does not extend to the creation of a new appropriation; rather, it is limited to augmenting funds already provided through the Supply Act. In many cases, the approval of a Management Board Order does not increase total expenditure, it merely reallocates resources within the overall expenditure plan that has been previously presented to the Legislature in the Budget, expenditure Estimates and Supplementary Estimates.

1982 Management Board Orders

According to Section 4.11 of the Provincial Auditor's 1982 Annual Report, 108 Management Board Orders were issued during the 1982 fiscal year, authorizing payments of \$502,421,348 in total. The majority of these Orders were issued during the months of February, March and April. Of this total amount, about \$102 million was issued when the Legislature was in session. The report highlighted a legal opinion which states". . . that it would be better practice to put a Supplementary Estimate through the Legislature while it is sitting rather than proceeding independently of the Legislature by use of a Management Board Order."

The Secretary of Management Board of Cabinet responded:

When the Legislature is not in session, it is not possible to table Supplementary Estimates and only Management Board Orders may be approved. Sometimes when the Legislature is in session, Management Board Orders are necessary in urgent situations where an appropriation is exhausted. Although the legal opinion suggests that it is preferable to use Supplementary Estimates, it is not always practical to suspend payments until a set of Supplementary Estimates is tabled in the Legislature. Under these circumstances, Management Board Orders may be approved to avoid disruptions in program delivery.

1983 Management Board Orders

During the 1983 fiscal year, 90 Management Board Orders were issued, authorizing payments of \$418,314,900 in total. Although most Orders were authorized by the month of April, four were issued during May and June of 1983. These four Orders totalled \$3,065,700 and involved the Ministry of Industry and Trade (Ontario Development Corporation), Justice Policy, the Ministry of Natural Resources (Mineral Management), and the Ministry of Tourism and Recreation (Tourism Marketing Development).

The Provincial Auditor stated that in each of these activities, expenditures had been made prior to the provision of the necessary funds, effectively making the expenditures under these appropriations illegally overspent. Subsequent appropriate requests, however, resulted in the four Management Board Orders.

The Assistant Secretary of Management Board commented that, although these ministries had received the initial Management Board approval to commit the funds, they had failed to obtain the necessary Management Board Order. In three of these cases, the total expenditures were lower than the amounts shown in the original Estimates; however, the spending mix had changed during the year between Voted and Statutory appropriations. In each of the three cases, the overexpenditure in the Voted appropriations was more than offset by underspending in the Statutory appropriations. The ministries misunderstood the rules requiring a Management Board Order to augment Voted appropriations. In the fourth case, the Ministry of Tourism

and Recreation had inadvertently failed to request a Management Board Order because of an oversight prior to the end of the fiscal year.

The Management Board Secretariat obtained a legal opinion from the Ministry of Treasury and Economics on the matters of a) retroactive Management Board Orders and b) the responsibility of a ministry to obtain a Management Board Order when required. A directive on procedures for Management Board Orders was prepared and sent to all deputy ministers in January of 1984. It states that the Secretariat will no longer recommend that retroactive Management Board Orders be issued. In addition, it reminds ministries of their responsibility to ensure that timely requests for Management Board Orders are made. This responsibility is placed with deputy ministers.

The Committee expressed concern regarding the apparent potential for the transfer of funds from Statutory to Voted appropriations. Management Board complied with the Committee's request for a legal opinion on this matter. In a letter from the Assistant Secretary of Management Board, Programs and Estimates Division, it was reiterated that funds are not transferred (or transferable) from one appropriation to another - there is no legal authority to do so. Management Board can, however, approve a Management Board Order in a Voted appropriation after taking into account that less the estimated amount of a Statutory appropriation will be spent. Officials from Management Board agreed with the Committee that overexpenditures in one area, which are compensated for by underspending in another, should not preclude the following of proper administrative procedures.

Management Board is provided with a monthly statement of government expenditures through a financial information system. Despite this monitoring system, Management Board cannot be aware of every irregularity. Therefore, it was pointed out, the ultimate responsibility lies with the ministries to ensure that they do not overspend their appropriations.

Special Warrants

A Special Warrant is an order under Section 4 of the Management Board of Cabinet Act, signed by the Lieutenant Governor, to authorize expenditures of an urgent nature for which no appropriation exists. It is permissible only when the Legislature is not in session and differs from a Management Board Order in that it has the effect of creating a new appropriation.

In accordance with Standing Order 51 of the Legislative Assembly, Special Warrants approved between sessions are tabled in the "first sitting day following the issue of the warrants". Section 12(2) of the Audit Act requires the Provincial Auditor to report on all Special Warrants issued to authorize payments, stating the date of each warrant, the amount authorized and the amount expended. A Special Warrant is initiated by a recommendation from a minister that an expenditure is urgently required. The expenditure must be approved by both the Treasurer and the Chairman of Management Board.

In his 1982 Annual Report, the Provincial Auditor noted that three Special Warrants were issued during the fiscal year ended March 31, 1982. The first two, dated April 1, 1981, were approved by Order in Council on March 10, 1981, and authorized total payments of \$4,719,081,600. This money was designated for general expenditure by the entire government, as well as for the Offices of the Ombudsman and the Provincial Auditor, on and after April 1, 1981.

The two Special Warrants were necessary after the dissolution of the Legislature in February 1981. A general election was held in March and the Legislature did not convene to meet until April 21, 1981. Since this occurred after the beginning of the fiscal year, payments could not be provided through a motion of Interim Supply. Therefore, Special Warrants were required in order to authorize all non-Statutory expenditures on and after April 1, 1981. The entire amount of the two Warrants was expended.

The third Special Warrant was approved by Order in Council dated January 28, 1982 and authorized \$5,000,000 for the newly-established Ontario Farm Adjustment Assistance Program. The Legislature was not in session at that time and the money was required for the 1982 fiscal year. The original cash flow projections, provided by the Ministry of Agriculture and Food, indicated that \$5 million would be paid during the balance of the 1982 fiscal year. Cash flow was less than anticipated and \$160,875 was expended.

No Special Warrants were issued during the 1983 fiscal year.

Tendering Practices - Contracts with Peter Barnard Associates,
Ministry of Agriculture and Food

Upon request by the Committee that the Minister of Agriculture and Food give testimony, the Deputy Minister and other senior officials from the Ministry of Agriculture and Food appeared before the Committee to discuss the nature of certain Ministry contracts with the consulting firm of Peter Barnard Associates. The Ministry paid the firm \$104,037 in 1982 and about \$80,000 in 1983-84 to evaluate applications for the awarding of BILD grants to food processing companies. The contracts were not properly tendered during two fiscal years.

The Deputy Minister explained that in 1979, shortly after the government announced the Employment Development Fund, the Ministry identified a need for experienced consultants to evaluate and provide advice on business investment proposals received under the program. The Ministry's objective under the Fund was to enable companies in the food processing sector to expand and modernize their plant operations. Because the Ministry did not have appropriate staff resources to provide the independent business, financial, and analytical perspective required in order to assess the applications, four consultant firms were invited to tender proposals in October of 1979. The firm of Peter Barnard Associates was selected through the proper tendering process. In March 1980, the tendering process was repeated and again, Peter Barnard Associates was selected, based on its expertise and experience. A government purchase order, dated April 1, 1980, confirmed the contract.

In January 1981, the Employment Development Fund was replaced by the Board of Industrial Leadership and Development (BILD) program. Under BILD, the Ministry of Agriculture and Food was allocated \$20 million toward the food processing assistance program. The Ministry again recognized the need to have an independent management consultant act as scrutineer for applications from the food processing sector. Accordingly, four consulting firms were invited in March 1981 to submit proposals related to the BILD program. Peter Barnard Associates was selected. In April 1981, the contract existed again in the form of a government purchase order. It

reflected a minimal increase in the consultant's fees, and since 1981, the hourly rates have not increased. The purchase orders could not be found within the Ministry's files.

The Deputy Minister admitted that, for the years 1982 and 1983, the Ontario Manual of Administration was not strictly adhered to, regarding tendering procedures. The firm of Peter Barnard Associates continued to be retained in these two years, under a government purchase order rather than formal annual contracts. The Ministry assumed at the time, that this was an appropriate way to operate for the duration of the BILD funding, which was a five-year term. Despite this error, the Deputy Minister felt that value-for-money was exhibited in the continuing performance of the consulting firm and that there was an effective use of public funds.

In March 1984, nine consulting firms were invited to tender proposals, and a central tender document registry has been instituted in the Ministry to ensure proper documentation of all material related to the tendering of contracts. The contract from May 1, 1984 to April 30, 1985 has been awarded to B & R Associates Holdings Ltd., of which the senior partner was previously with Peter Barnard Associates.

Officials from the Ministry admitted that they should have been familiar with the appropriate policies in the Manual of Administration, but, at the time, were not. Furthermore, the proper documentation from the first three tenders was not retained on file. It is hoped that the new system will ensure that this does not happen again.

Algonquin College of Applied Arts and Technology,
Ottawa, Ontario

In March 1984, the Public Accounts Committee approved a motion calling the Deputy Minister of Colleges and Universities before the Committee to explain the financial management and administrative systems of Algonquin College and to report to the Committee concerning the economy, efficiency, and effectiveness of such systems. In addition, the Committee wished to discuss the reasons for the overpayment of some \$2.4 million by the Ministry to Algonquin College.

In April 1984, the Deputy Minister, along with representatives from Algonquin College and other senior officials from the Ministry of Colleges and Universities appeared before the Committee to discuss these matters.

In his opening remarks, the Deputy Minister explained the role of the Ministry with respect to the operations of Ontario's Colleges of Applied Arts and Technology.

This role involves three functions: a) providing guidance and assistance to the colleges in achieving their objectives; b) monitoring the performance and progress of the colleges; and c) providing accountability to the government for the colleges' use of their resources (including annual transfer payments of considerable size). The Deputy Minister emphasized, however, it is not the role of the Ministry to assume a direct responsibility for the management of individual colleges. This falls under the aegis of the President and management staff of each college, and under the policy guidance of each Board of Governors.

The Deputy Minister pointed out that Algonquin College of Applied Arts and Technology in Ottawa has had a number of long-standing management control problems which have been noted by its external auditors. Its management history has been turbulent and controversial. The problems stem from poor financial control, generally, and can only be remedied by management action within the College itself. The Deputy Minister stated the Ministry should not be responsible for reconciling accounts or conducting

audits of individual colleges. It was admitted that this approach, while ensuring local autonomy and flexibility in the college system, does present a certain degree of risk. This risk, he pointed out, has been clearly demonstrated by recent events at Algonquin College, and perhaps the most controversial event has been the arrangement between the College and the Society of Management Accountants (S.M.A.), which has resulted in both an internal and a police investigation.

At the time of the Committee's hearings in April of 1984, there were two primary issues of concern: an overpayment in transfer funds from the Ministry to the College of some \$2.4 million, and the question of fraudulent activities involving the Financial Management Program at Algonquin College.

The Committee's investigations were somewhat restricted because of the continuing police investigations and all names associated with activities at Algonquin College were deleted from the transcript of the hearing. Nevertheless, the Deputy Minister supplied the Committee with a copy of a February 1984 report prepared by the internal auditor of Algonquin College, which presented a reasonably detailed account of the circumstances surrounding the disbursement of funds controlled by the Society of Management Accountants, (S.M.A.), with regard to Algonquin's Financial Management Program.

Overpayment

The Deputy Minister explained that the Board of Governors of each College is appointed by the Council of Regents and is responsible to the Minister for the economy, efficiency and effectiveness of the College which it manages. The College reports its enrolments of students by approved program in an independently audited statement of enrolment. The basis of this audit is an annual Ministry-approved set of guidelines for reporting enrolment, which defines the College programs that are eligible for funding. It was this enrolment report which resulted in the grant overpayment by the Ministry to Algonquin College.

The Ministry relies on the accuracy of audits performed on the Colleges, as an important means of fulfilling its accountability responsibility to government. The auditors of the Colleges are appointed by the Boards of Governors and are highly reputable firms. In this case, there were two major circumstances which led to the overpayment.

In the first instance, the College did not follow Ministry guidelines, in reporting its enrolment in its Financial Management Program. The College reported students in its regular program who were, in fact, taking part in the Society of Management Accountants Program. In this case, Algonquin was acting, in effect, as a subcontractor for the Society, providing a service for which the Society paid a fee.

Because these students were charged fees which were established and collected by the Society, they were not eligible for Ministry funding. The erroneous reporting of these students as regular College students resulted in the College being paid as if they were, in fact, regular students.

This initial error was compounded when the external auditor (Thorne Riddell) did not detect the mistake during the regular audit. However, in a subsequent internal College audit of the enrolment figures, the discrepancy was discovered. The College then informed the Ministry of the overpayment.

The Deputy Minister explained that, because Algonquin received more than its fair allotment within the global funding, other colleges received less. And, while the Ministry does not intend to recover the funds, Algonquin's 1984-85 apportionment of grant money has been adjusted, to reflect the reporting error.

Since the detection of the overpayment, the College has been subject to increased monitoring and Ministerial participation in its affairs. The College is proceeding to develop necessary and efficient management practices. The Deputy Minister stated that if Algonquin does not correct its management problems through internal administrative action, then a public inquiry could be called.

In the meantime, however, both the Ministry and the College's Board of Governors have undertaken several initiatives to ensure that corrective action is taken. These include:

- a) the appointment of the Assistant Deputy Minister of the Ministry's Skills Development Division as a non-voting member of the Board of Governors, to assist the College and monitor its performance;
- b) the installation of a new President of the College;
- c) the re-assignment of senior officers of the College, including the Director of Finance, to other duties;
- d) the hiring of a new Vice-President, Academic, and a new Vice-President, Finance and Administration (formerly, Acting Director of the Ministry's College Affairs Branch);
- e) the establishment of an audit committee;
- f) the establishment of a President's Management Committee, consisting of the President, both Vice-Presidents and other senior managers;
- g) the filing, with the Ministry, of minutes of Board meetings and monthly progress reports;
- h) increased audit scrutiny by the Minister; and
- i) the implementation of an adequate enrolment reporting mechanism.

The Financial Management Program

The Financial Management Program, which began as a pilot project at Algonquin College in May of 1972, was developed and promoted by the College's then Department Head of Contract and Professional Programs. Initially, he reported to the Dean, School of Business, then (effective November 1972) to the Director, Professional and Career Programs. From 1973 to his departure from the College, he reported to the Dean of Continuing Education. Throughout these years, the Program gained popularity as an accelerated accounting program with an enrolment of 800 students.

The Society of Management Accountants (S.M.A.) has played a key role in the development of the Financial Management Program, as it is a referral/sponsoring agency for the Program. It also provides accreditation to the courses to enable graduates of the Program to obtain their

professional accounting designation. The relationship between the College and the S.M.A. expanded to include: collection of student fees; payment to teachers for instructional services; recovery by Algonquin of certain foreign student fees; and payment to S.M.A. for educational materials. Despite these transactions, there was, however, no formal contract between the S.M.A. and Algonquin College.

In 1980-81 the Department Head was both Vice-President and President of S.M.A., while at the College, he had complete control on receipts and disbursements related to the Financial Management Program. Thus, he was also able to exercise control on disbursements and billings at the S.M.A.

The Public Service Commission (P.S.C.) also acted as a referral agent for this program since its inception. About 40 percent of the students enrolled in the Program are public servants. The College has negotiated an annual contract with the P.S.C. which provided for the amount of fees per course to be billed to P.S.C., as these students paid their fees directly to the P.S.C.

Other agencies involved, to a lesser extent, in the Financial Management Program were C.I.D.A. (the Canadian International Development Agency) and the Audit Services Bureau, Department of Supply and Services.

On May 14, 1982, the College's external auditors, Thorne Riddell, questioned the legitimacy of \$176,000 shown on the College's books as owing to the Public Service Commission. As a result of this enquiry, an internal audit of the Financial Management Program fees was initiated the same month. It was established that:

- a) the Public Service Commission had been billed properly and all money had been received by the College;
- b) the appropriateness and amount of the Public Service Commission restricted fund (\$176,000) was questionable, and
- c) the College had not billed the S.M.A. from the fall of 1980 to the summer of 1982. (The Department Head of the Program had failed to instruct Finance to raise the proper invoices. The total amount not billed was \$194,590.)

During the first week of August, 1982, the Department Head revealed that the S.M.A. was holding a sum of \$265,233 for the College on behalf of some foreign students. He stated that, as agreed to by the College and the S.M.A., this money was to be transferred to the bank account of a non-profit organization set up to administer course development and promotion funds.

While this matter was under investigation, an internal review of the S.M.A. ordered by its Executive Director, revealed that a non-profit organization (later named E.L.S.H. Management) had already been established by the College's Department Head, through which he was transferring money to another numbered company.

As Department Head at the College and President of S.M.A., this man had considerable power and control. The misdirection of the foreign student fees was possible as no-one else at the College reportedly was aware of the situation. In addition, he received other payments made from both the College and S.M.A., without proper authorization. These involved a variety of travel claims, meal allowances and other "professional services".

The Department Head of Professional and Career Programs was suspended from the College with pay effective September 10, 1982. His failure to provide an explanation for his actions resulted in his termination effective October 26, 1982. In September 1983, the College secured a release from him.

The S.M.A. launched a civil action against the former Department Head in the Supreme Court of Ontario in November 1982 for the recovery of the funds diverted from the S.M.A. along with accumulated interest. An out-of-court settlement was reached in September 1983, in which the former employee turned over a sum of \$345,808.97 to the S.M.A. in exchange for releases against civil action from the Society and the College. The S.M.A. subsequently turned over a portion of these funds to Algonquin College in full settlement of all outstanding accounts. The College also recovered other funds from the Department Head that had been diverted. In the case of the P.S.C. fund, the internal auditor has reported that no monies were diverted from this fund. The proceeds of the fund have now been credited to Algonquin College's operating surplus.

The matter was reported, by the College, to the Nepean Police. In January 1984, they reported that: no criminal action had taken place with regard to Algonquin funds; a diversion of S.M.A. funds occurred where these funds had been transferred to other accounts; and, since the funds involved all originated out of bank accounts in Hamilton, it would be appropriate for the Hamilton-Wentworth Police to investigate. Accordingly, the Hamilton-Wentworth Police and the O.P.P. fraud squad are investigating the matter.

The Deputy Minister stated that it was "unconscionable" that it took the College two years to bill the S.M.A. But, all the alleged misdirection of funds occurred between the accounts of privately-owned companies and the S.M.A. He then emphasized that the College had since instituted a number of management control practices to ensure that this kind of situation does not happen again.

Shortly after the Committee's deliberations, however, it was learned that a former Algonquin College employee was charged with defrauding the College of \$36,203 in April 1984.

On May 17, 1984, the Committee passed a motion directing the Provincial Auditor to investigate and review the financial management and administrative systems of Algonquin College and to report to the Committee regarding the efficiency, effectiveness and the economy of such financial and administrative systems. The Auditor has divided the assignment into two segments - one dealing with the financial irregularities specifically identified during the Committee's deliberations, and the other addressing the general nature of the College's financial and administrative systems. Both reports will be dealt with in detail during 1985 and a full account of the Committee's findings will be included in the Public Accounts Committee's Annual Report for 1985.

The Provincial Auditor's Review of Ontario Hydro

Introduction and Overview

During the fall of 1983, the Public Accounts Committee initiated a review of certain activities relating to Ontario Hydro. At the Committee's request, the Provincial Auditor conducted an investigation during the 1984 calendar year, in accordance with certain parameters established by the Committee.

Guided by questions submitted by Members of the Committee, the Provincial Auditor produced three reports concerning the finances of Ontario Hydro as they relate to:

- a) the financial situation of the Darlington Nuclear Generating construction project;
- b) the costs of the major tube replacement program at Pickering "A" Nuclear Generating Station; and
- c) Ontario Hydro's mothballing and write-off program in heavy water production and fossil fuel generation.

The content of the Provincial Auditor's reports essentially dealt with a description of factual information required to answer the questions posed by the Committee, together with such background and other information as the Auditor and his staff considered necessary.

In September, 1984, the Committee devoted four days to the Auditor's review of Ontario Hydro. The meetings were attended by the Chairman and President of Hydro, and other senior officials most directly involved in the three areas of operation under review - Darlington, Pickering and mothballing.

The Chairman of Ontario Hydro pointed out that Hydro's original mandate of providing power at cost to the people of Ontario, has remained constant since the utility was created in 1906. During the first 60 years of Hydro's existence, the Corporation conducted non-stop construction and expansion. For some 50 years, energy demand grew by seven percent per year. Since the oil crisis of the 1970s, growth has decreased. Hydro's major

construction activities are now winding down and there have been reductions in the Corporation's staff.

To-day, about one-third of Ontario's power is supplied by hydraulic generation with the other two-thirds, in about equal parts, supplied by nuclear and coal-fired generating stations. Even with the addition of new nuclear plants, Ontario will still have the most diversified electrical system in Canada.

Taking the "long view", Hydro's Chairman is assured that service provided by projects like Darlington will definitely be required by the 1990s. Currently, he explained, Hydro's long-term annual load growth forecast (between now and the year 2003), for planning purposes, is 2.4 percent, and this may well be a low estimate. The primary energy demand rose 5.2 percent in 1983. Statistics indicated an increase of 7.8 percent to the end of August 1984. If these rates are sustained, additional generating capacity will have to be carefully considered, along with all available options and related costs.

The President of Ontario Hydro explained that Darlington and Pickering are designed to give Ontario security of supply and balanced use of indigenous fuel sources. The mothballing program is the logical and beneficial response to the economic realities arising out of the oil crises of 1973 and 1979.

He further stated that the returns from Darlington and Pickering will begin to come in during the late 1980s, and continue to mount through the 1990s. This schedule means that Hydro rates will remain about the same as they are now (with allowances for inflation), through the remainder of the 1980s. This will be followed by a steady decline in rates during the 1990s.

To-day, Ontario uses electricity produced from three major energy sources. Two of them - falling water and uranium - are indigenous to Ontario, and coal is imported. According to Hydro officials, the move into uranium-based electricity has proved to be economic. In 1983, the total cost of electricity from all Ontario's nuclear plants was 1.9 cents (not including the costs of retubing) per kilowatt-hour, while the total cost of electricity from fossil-fuelled plants was 3.5 cents per kilowatt-hour. This cost advantage helped Ontario Hydro decide to build more nuclear generating stations through the 1970s and 1980s.

The President explained that, during the past 12 years, electricity produced from uranium-based plants cost \$2 billion less than the equivalent amount produced from coal-based plants. Hydro estimates that by 1996, \$10 billion will have been saved by generating power from uranium rather than coal. From 1996 to their retirement, the total cost benefit of the Pickering, Bruce and Darlington plants will be about \$1 billion per year. As of 1983, Hydro had a total cash flow of \$2.8 billion, with a long-term net borrowing debt of \$1.9 billion.

Concerning the future of the Darlington Nuclear Generating Station, there are three options: continuing on schedule; cancelling two of the four units; or cancelling all of them. These options have been studied against a variety of economic forecasts, from low-growth to high-growth. While stating that cancelling Darlington would reduce the Province's borrowing over the next few years, Hydro's President remarked that, due to cancellation charges, the cost of electricity would be increased in the short term. Without Darlington, Hydro would have to rely on increased coal purchases to supply power and would still have to build alternative generating capacity to replace Darlington.

Ontario is conducting a large-scale replacement of pressure tubes in units 1 and 2 of the Pickering "A" Nuclear Generating Station. This is being accomplished with the objective of returning the units to safe and reliable service as quickly and as economically as possible. It has always been assumed that the pressure tubes in Ontario's CANDU plants would require replacement once during the life of the reactor. The retubing of Pickering is occurring earlier than anticipated, but is now proceeding ahead of schedule.

Ontario Hydro is also mothballing some of its older fossil-fuelled generating stations. Some of these have been put on "standby" because their high fuelling costs do not make them cost-effective alternatives to nuclear generation.

The currently committed generation program terminates in 1992, with the completion of Darlington. The next phase of electricity service will require consideration of a wide range of both demand and supply options.

The Darlington Nuclear Generating Construction Project

The Darlington Nuclear Generating Station (NGS) is currently being constructed by Ontario Hydro on the shore of Lake Ontario, five kilometres south-west of Bowmanville in the Town of Newcastle. The 485-hectare (1200 acre) site is close to the residential, industrial and commercial energy markets of Ontario and has good transportation access and an abundant supply of cooling water from Lake Ontario. When the four-unit station is completed in 1992, it will provide 3,524,000 kilowatts of electricity, which will be fed into the Ontario Hydro electricity grid system through 500,000 volt transmission lines crossing the site.

The Darlington NGS was approved by the Province in July 1977. At that time, it was exempted from the application of the Environmental Assessment Act. This enabled Hydro to proceed with site preparation without incurring undue delay and expense that would have resulted from an environmental assessment hearing. Site preparation began in 1978 and by 1981, work had begun on the station's foundations.

In 1973, it was planned that the first of the four Darlington units would come into service by 1982. Between the time government approval was sought for the project in 1976, and the review of Darlington in 1984, however, the in-service completion dates for units 1 to 4 have been both deferred and accelerated. The first unit (unit 2) is to be completed and in service by May, 1988. The in-service dates for the other units are February 1989 (unit 1), November 1991 (unit 3) and August 1992 (unit 4).

The Auditor stated that the Hydro Board of Directors effected the various deferrals after its review of the 1979 to 1982 load forecasts, which showed reduced load growth, and in response to the government's request that Hydro reduce its level of borrowings. Substantial variations in escalation and interest rates have been experienced in recent years. Therefore, the Auditor pointed out, the longer the construction lead time, the greater are the uncertainties associated with economic variables as they affect the estimated costs of completing the new station.

The cost of Darlington has been determined, over time, through a series of various estimates. The Auditor stated that the estimated costs increased by \$6.4 billion or 128 percent between an initial "release" estimate in June 1978 and the "currently approved estimate" in November, 1983.

On the other hand, Ontario Hydro measures management performance by comparing its "definitive" estimate (\$7.5 billion in August 1981) with the estimated costs of the "currently approved estimate" (\$11.4 billion in November 1983) - a difference of \$3.9 billion or 35 percent.

The final estimate has been reduced by some \$500 million, due to more favourable interest and escalation rates, to total \$10.9 billion. Increases in the estimates have been attributed to both "controllable" and "uncontrollable" costs and factors. These include: a) variances in project concept and design, together with resultant increases in construction costs; b) changes in productivity schedules and quality assurance regulations; c) scheduling changes and resulting escalation and interest costs; d) changes in market economic conditions, including interest rates, foreign exchange and import duties; e) accounting policy changes, wherein the interest rates associated with the extended project are allocated to future, rather than current customers, through capitalization; and f) the sale of any energy produced through testing at the station.

Costs incurred for the Darlington NGS, as of October 31, 1983, amounted to \$1.164 billion. This includes \$193.778 million in interest charges. Expenditures include payments to manufacturers and contractors (most of whom are Ontario suppliers) and payments for salaries and wages. Hydro officials stated that, of approximately 3,000 people employed at the Darlington site, about 400 are on contract. The remainder are permanent and temporary Hydro staff. Ontario Hydro performs most of the engineering, along with two major consulting agencies - Canadian General Electric and Atomic Energy of Canada Limited. Once Darlington is completed, there will be 600 full-time employees at the site. The Committee was told that, during the current construction phase, employees work one full day shift with a small second shift during peak periods, for a

five-day week. Hydro chose this procedure, rather than instituting three shifts, because it was deemed more economical. Some Members of the Committee suggested that this may be unnecessarily prolonging the construction of the project, for which interest charges alone were comprising some 40 percent of the total cost.

Hydro estimated that, as of October 31, 1983, some 14,000 man years of employment have been provided. Upon completion, the project will have provided 54,000 man years. As of October 31, 1983, Hydro had committed \$2,052 million for over 7,000 contracts of various kinds. About 90 percent of these were tendered and awarded to low bidders. The remaining 10 percent were negotiated for particular reasons, involving inadequate competition or the need for specialized services or equipment. Over 60 percent of the engineering has been completed and Hydro has purchased 90 percent of the materials and equipment required. Hydro officials stated that, over the past year, there has been no real increase in the cost of Darlington. As of September 1984, although about \$1.7 billion had actually been spent, \$3 billion was committed in total.

The Provincial Auditor outlined the various controls which Hydro has instituted for monitoring corporate costs associated with the project. These include operational, financial and computer audits, frequent feasibility studies, budget reviews and work program plans. The Auditor noted that Hydro's internal audit department had found certain weaknesses with regard to the procurement and usage of materials and inventory. It was noted that senior management had instituted new policies and procedures for addressing the audit concerns and strengthening controls.

During an examination of contracts, the Provincial Auditor learned that an automated system, referred to as "PURCHAS" had been developed to monitor and control Hydro's procurement activities. The system records details of purchase orders and related material receipts, and provides information in the form of statistical reports. The Auditor found that while most of the information in PURCHAS was accurate, complete, and authorized, there were several instances in which information was either not in the system, or was inaccurate and incomplete.

The Auditor's major findings were that:

- a) a contract for engineering services amounting to \$65 million was not recorded in PURCHAS, although the amount was included in reports for management; and
- b) input errors and omissions accounted for an understatement of more than \$4 million.

Hydro officials emphasized that the \$65 million contract was not missed, as a consequence of its omission from PURCHAS. The contract was with AECL for services, and had been included in the project estimates all along. It was reiterated that the contract would be added to the system and that other input errors would also be corrected.

Penalty payments occur if a project is deferred, extended or cancelled, thus altering the terms of contracts with suppliers. Hydro has estimated that penalties associated with deferrals of the Darlington project will cost over \$28 million. Approximately \$5.8 million had been paid by the end of 1983. Hydro staff estimated that it would cost in excess of \$2 billion as of December 31, 1983 to cancel the Darlington project. This amount is comprised of \$1.477 billion covering costs incurred to the end of 1983, and over \$500 million to cover anticipated negotiated costs to cancel various contracts. Hydro officials agreed that the amount of \$500 million may be low, since several of the largest contracts awarded prior to March 1979 did not contain cancellation clauses. It was explained that Hydro believed, at that time, that cancellation clauses were unnecessary and potentially costly. The policy changed, however, in the late 1970s. The Committee discussed with Hydro the costs of cancelling Darlington and the implications of such an action.

The Auditor's review disclosed the fact that the Darlington NGS will be depreciated, once the units are placed in service, on a straight-line basis, over a period of forty years. Certain components of the station, however, will be depreciated over a shorter period of time. A Depreciation Review Committee (DRC) annually reviews the expected useful service lives of these components, and recommends changes in service lives, as information becomes available. This committee determined that an overall life of forty years was appropriate for nuclear generating facilities. (This represents an increase from thirty years, effective 1982).

Current estimates indicate that the annual depreciation charges for the capital cost of Darlington (including heavy water) will increase from \$35.64 million in 1988, when the first unit comes on stream, to \$226.43 million in 1992, when the fourth unit is in service. From 1993 onward, the estimated annual depreciation will be \$275.9 million. (The Auditor pointed out that these estimates were based on the capital cost of \$11.4 billion).

In addition to the service life extension to forty years, there have been other accounting policy changes within the last five years, which have had an impact on the overall costs of nuclear generating stations. Some of these bear directly on operating costs; others affect capital costs, which affect the amount of depreciation and financing costs charged to operations once the station is in service. There was considerable discussion among Committee Members as to the realistic nature or appropriateness of the forty-year service life extension, and concern was expressed over the effect of this estimate on Hydro rates.

Generally speaking, costs incurred which are deemed by Hydro to benefit current customers are written off to operations in the year in which they are incurred. On the other hand, costs incurred which are deemed to benefit future consumers are initially treated as assets, and are then written off to operations over the period of years in which these assets are estimated to benefit consumers. This treatment of costs is based on the generally accepted accounting principle of properly matching costs to revenues for any given period, and has been endorsed by Hydro's external auditors. Costs which are written off to operations represent the major component of Ontario Hydro's annual revenue requirement, upon which rates are based. (Thus, the Auditor pointed out, in 1983, every \$31.6 million increase in revenue requirement over and above the total 1982 revenue requirement, corresponds to an increase in Hydro rates of one percent).

These changes in accounting policies affect the following activities:

- a) the disposal of irradiated nuclear fuel and decommissioning of nuclear generating stations, the costs for which are charged to operations in the year in which they are made;

- b) heavy water, which, after it is placed in service, will have an estimated remaining service life until the year 2040;
- c) for rescheduled construction projects (i.e., delays, deferrals, and extensions of capital projects), Hydro capitalizes interest on funds used for assets under construction whenever the construction period is of a significant duration. This change in accounting policy will add an estimated \$195 million in capitalized interest to the capital cost of the Darlington NGS;
- d) in training operating staff, the costs will be capitalized as part of the cost of the related facilities and written off as depreciation costs over the lifetime of the plant. For Darlington, an estimated \$291 million will be added to the capitalized cost of the station; and
- e) instead of charging the entire cost of common elements of the station (facilities which are intended to provide service to more than one operating unit) to the first in-service unit, they will now be spread over all four units on a percentage basis. This policy change added \$721 million in interest costs to the project estimate.

As a result of these changes, \$1,207 million has been added to project costs. This amount will be recovered through Hydro rates over a much longer period than would otherwise have been the case.

The construction of Darlington is judged to have had little effect on Hydro rate increases from 1981 to 1985. During 1986 and 1987, there will be an estimated 2.6 percent average annual rate increase attributable to Darlington. This is due mainly to the inclusion of 50 percent of the interest capitalized on Darlington, for those years, in the Corporation's net income requirements. In 1988, there will be a 1.3 percent increase resulting from higher operating costs due to one unit coming into service, together with a slight increase in the net income requirement for Darlington in that year. A higher rate increase in 1989 of 3.2 percent will be the result of higher operating costs for the first two units being in service. From 1990 to 1992, rates will increase somewhat, and beginning in 1993, savings in fuels costs will more than offset the operating costs of Darlington. This should result in general rate increases being lower than would have been the case if Darlington were not under construction at present. It is estimated that, from 1994 onward, Hydro rates in general will be lower than if Darlington were not built.

Based on the currently approved estimated cost of \$11.4 billion, the per-kilowatt -hour cost of energy produced by Darlington operating at an 80 percent annual capacity factor will be: 6.5 cents per KWh for 1988-1990; 6.6 cents for 1991; 7.1 cents for 1992; 7.2 cents for 1993; and 7.1 cents per KWh for 1994-1996. All costs necessary to operate the Darlington NGS were included in the computation of the cost of power.

Energy is defined as the amount of electricity produced in a given time period, and is generally expressed in gigawatt hours (GWh). Capacity, on the other hand, is expressed in megawatts (MW) and refers to the maximum rate of energy production (if all stations - hydraulic, nuclear and fossil - were operating). The Auditor noted that by 1993, Hydro will have over 5,000 MW of excess generating capacity.

Hydro has pointed out, however, that the only energy production capability that could be characterized as "surplus" arises occasionally when the nuclear and hydraulic generation exceeds the peak Ontario load. (Therefore, any surplus tends to occur during the night throughout the summer months). The Auditor determined that the surplus nuclear energy in 1993 could be as high as 8,900 GWh. By the year 2003, the figure would have dropped to 1,000 GWh. It is anticipated that most of this surplus energy can be exported, or sold to Ontario users. Generally, Hydro has set a goal of having about 25 percent extra energy generation within the system, over and above the anticipated load requirement. Currently, Ontario has about 22,000 megawatts of generating capacity. In January of 1984, the peak load requirement was close to 19,000 megawatts. About 6,700 MW are hydraulic, 5,800 MW are nuclear, and over 9,000 MW are coal-fired produced. Hydro officials emphasized the diversity of the system. Currently there are 75 separate power plants - 67 hydraulic, four nuclear and four coal.

Tube Replacement Program at Pickering "A" Nuclear Generating Station (NGS)

Pickering "A" NGS consists of four 515 megawatt units located about 20 miles east of Toronto on the shore of Lake Ontario. It was constructed during the late 1960s and early 1970s. The in-service dates of units 1 to 4

were July 1971, December 1971, June 1972 and June 1973, respectively.

The cost to build the four units at Pickering "A" NGS was \$746.7 million, which included \$153.9 million for the heavy water, used as a moderator and primary heat transport fluid in a CANDU reactor.

In 1963, Ontario Hydro, Atomic Energy of Canada Limited (AECL) and the Province of Ontario entered into an agreement (Nuclear Payback Agreement) to share the capital cost of the first two units installed at Pickering "A". The sharing of the capital cost (\$394.7 million) was as follows:

- Ontario Hydro's contribution was an amount (\$136.4 million) about equal to the capital cost for units 1 and 2 at the Lambton Thermal Generating Station, (a coal-fired generating station); and
- AECL and the Province were to contribute the remainder of the capital cost in proportion of 6 to 5 respectively (\$140.9 and \$117.4 million).

In addition to sharing the capital cost to construct units 1 and 2, the agreement also requires Ontario Hydro to make payments, termed payback, to AECL and the Province in proportion to their capital contributions. These payback payments represent the net operational advantage between the cost to generate power by units 1 and 2 at Pickering "A" and the cost to generate power by units 1 and 2 at the Lambton TGS.

On August 1, 1983, the unit 2 reactor at the Pickering "A" was shut down when heavy water began leaking from the heat transport system. The leak was traced to a cracked pressure tube. As part of an investigation, the Pickering unit 1 reactor was shut down on November 14, 1983, for inspection and metallurgical testing of a sample of its reactor pressure tubes. Early results showed that the cracked pressure tube had higher-than-normal levels of deuterium in the metal near the crack. The high levels of deuterium were a result of hydriding (the forming of brittle

material), primarily caused by heavy water corrosion of the pressure tube. The stresses accompanying the hydride accumulations caused a long crack to develop. Fracture occurred after the crack had grown to a critical size.

The Pickering units contain 390 fuel channels each. Each fuel channel includes a pressure tube, 12 fuel bundles, 2 end fittings, a calandria tube and garter spring spacers. The initial cost of the pressure tubes which were installed in units 1 and 2 was approximately \$3.4 million, or 0.9 percent of the cost of units 1 and 2.

The pressure tubes used for the first two units of Pickering "A" were made of Zircaloy -2. It was assumed that these tubes would have a lifetime of 15 years or longer. All CANDU pressure tubes installed after Pickering units 1 and 2 have been made of a new, stronger alloy called Zirconium Niobium. As operating experience with Zircaloy -2 was gained, problems with axial elongation and irradiation growth began to emerge. As a consequence, the estimated life of the pressure tubes was revised to be from 13 to 17 years.

In 1976, a study was initiated to examine the work that would be required for a Large Scale Fuel Channel Replacement program (LSFCR), the full implementation of which would continue until the end of 1984. In 1980, Hydro was also conducting a parallel study called Repositioned End Fitting and Bearing (REFAB), to extend the service life of the original pressure tubes, hence delaying the requirement to replace the tubes.

In January 1984, after the August 1983 pressure tube fracture at unit 2, Ontario Hydro's Board approved the cancellation of the REFAB program for units 1 and 2. To that time, approximately \$14.2 million had been spent on REFAB. In March 1984, preparation began for retubing units 1 and 2, with no further consideration given to the operation of these units before retubing was completed.

LSFCR requires the complete removal and replacement of existing fuel channels and associated assemblies, and involves a combination of remote and manual operations. It is estimated that, after retubing, the following in-service dates will apply: July 1986 for unit 1; July 1987 for unit 2; August 2001 for unit 3; and August 2003 for unit 4.

In terms of retubing costs, only preliminary estimates were available at the time of Auditor's review. The early retubing preliminary estimates (March 1984) for units 1 and 2 are \$183.5 million for tube removal and \$329.1 million for installation, for a total cost of \$512.6 million. To December 31, 1983, \$49.7 million had been expended.

The replaced tubes are made of Zirconium Niobium, and, depending on their dimension, the estimated cost of all pressure tubes for units 1 and 2 could range from about \$17 to \$24 million. In terms of tools and machinery, the early retubing program involves work tables and retubing carriers which cost approximately \$1.03 million. In addition, Hydro has a \$19.5 million contract with Spar Aerospace for the development of a remote manipulator arm to be used subsequent to retubing. The arm may be used as a contingency in the present program or in the future, to reduce costs, hasten procedures, and minimize radiation exposure.

It is likely that, following retubing, the irradiated components will be stored in modules in the station yard temporarily, and then transported to a permanent disposal facility. The disposal site has not yet been determined.

As mentioned previously, under the Negative Payback Agreement, AECL, the Province and Ontario Hydro share in the net operating advantage derived from operating units 1 and 2 at Pickering "A", as compared to Lambton TGS units 1 and 2. Pressure tube removal expenditures are considered operation and maintenance costs under the agreement, and reduce payback in the month incurred. The costs of installing the new pressure tubes are considered as capital modifications, and reduce payback payments through annual amortization charges based on the life of the new tubes during the remaining term of the agreement.

The actual period of payback is set at 30 years, from 1971 to 2001. As a consequence of the shut-down at Pickering units 1 and 2, the negative paybacks from August 1983 to July 1987 are building, to total some \$196.3 million. Currently, there is some dispute as to how these costs will be recovered through future expenditures. It is expected that when the retubing is finished, the payments will resume and there will be further benefits for all three parties concerned. For now, Hydro is reviewing AECL's responsibilities under the agreement.

In calculating the cost of power from units 1 and 2, depreciation and financing charges, operation, maintenance, administration, and fuel-related costs are included. The average cost per KWh represents the costs of operating units 1 and 2 divided by the energy generated by these units.

The average cost of power for units 1 and 2 during 1982 and 1983 was 2.1 cents and 2.4 cents per KWh respectively. After retubing, when the units are returned to service, the estimated average cost of power will be 5.5 cents for 1986, 3.6 cents for 1987 and 3.2 cents per KWh for 1988, when both units will be fully operational.

During 1984 and 1985, units 1 and 2 will not be generating any energy. However, the estimated capital related operating costs (depreciation and financing, excluding decommissioning and tube removal provisions), associated with the two units during 1984 and 1985, are \$22.4 million and \$22.2 million respectively.

Mothballing and Write-Off Program in Heavy Water Production and Fossil Fuel Generation

The Committee considered three aspects of Ontario Hydro's operations relating to facilities for heavy water production and fossil fuel generation: cancellation; indefinite deferral; and mothballing.

Cancellation results when plans to proceed with the design and construction of a capital project are abandoned. An indefinitely deferred project is one for which the Board of Directors has decided to stop all design

and construction activities for an indefinite period of time. Mothballing of an in-service unit occurs when a unit ceases operations and is placed in a condition that ensures its safe storage during a period when it is no longer required for energy production or operating reserve purposes.

As at December 31, 1983, only one heavy water facility had been indefinitely deferred (Bruce Heavy Water Plant "D"), five generating units at two fossil-fuelled facilities and one heavy water facility had been cancelled, and 14 generating units at three fossil-fuelled facilities were mothballed. In addition, 18 combustion turbine units were mothballed.

Demand for electricity falls into two categories - base load and peak load. Different types of generating stations are used to meet these types of demand. Nuclear stations are best suited to continuous operation and therefore, to providing base load requirements. The heavy water program is a multimillion dollar chemical manufacturing process providing heavy water for nuclear generating stations.

Hydro has found it necessary to mothball some facilities and to cancel or indefinitely defer some of its construction projects because: a) recent load growth has been lower than forecasted; b) there is a reduced need for heavy water; c) nuclear generation is cheaper than that of oil and gas; and d) energy from more costly fossil-fired units cannot be readily sold.

Before mothballing or cancellation is undertaken, studies are conducted to ensure that it is economic to do so, and that the units are not required for capacity reserves. The decision to mothball a station usually results in an overall future savings due to a reduction in fueling and staffing costs. The status of these stations is reviewed by Hydro two or three times a year. Once a decision is made to cancel, defer or mothball a facility, Board approval is obtained. The Auditor noted one exception. The decision to mothball units 1 to 5 of the R.L. Hearn Thermal Generating Station did not receive Board approval. Hydro officials stated that because large numbers of staff were not affected, Board approval was not sought.

The accumulated capital costs (including interest during construction), less the estimated salvage value of cancelled or deferred projects, are either written off to operations immediately or amortized as a cost of operations over a number of years for recovery through future electricity rates. When facilities are removed from service and mothballed for future use, the undepreciated capital cost generally continues to be depreciated over the balance of their estimated services lives on a yearly basis.

When a project is cancelled or deferred, Hydro attempts to negotiate a settlement with its contractors for costs and expenses directly caused by the cancellation. These costs are either written off to current operations, or amortized over future years. After a project is cancelled or deferred, ongoing site maintenance costs are generally incurred. These costs are charged to operations in the period in which they are incurred.

There are basically three types of costs associated with mothballing: relocation costs to move staff and material from one station to another; materials and supplies for preserving equipment; and labour costs and salaries. These costs are accrued and charged to current operations. After mothballing, costs associated with ongoing site maintenance are charged to operations in the period in which they are incurred.

Cancelled Facilities

Atikokan Unit 2 -

cancelled in February 1982, effective December 31, 1981. Cancellation costs of \$12 million were charged to operations during the period 1979 to 1981. There is no ongoing site maintenance, as the unit was never built.

Wesleyville -

units 1 and 2 cancelled in 1978; units 3 and 4 cancelled effective December 31, 1980. The cost to cancel units 1 and 2, \$16.4 million, was charged to operations in 1978 and 1980. For units 3 and 4, \$18.6 million for cancelled contracts was charged to operations during 1979 and 1980. The net accumulated capital costs (\$224.9 million) have been partially written off to operations and partially deferred. Salvageable assets amounted to \$7.4 million as at December 31, 1983 and maintenance costs incurred to 1983 totalled \$2.7 million.

Bruce Heavy Water Plant "C" - cancelled in 1976 due to reduced need for heavy water. Expenditures of \$69.4 million were charged against operations in 1975 and 1976. There are no ongoing costs.

Indefinitely Deferred Facility

Bruce Heavy Water Plant "D" - approved in 1973 and deferred January 1983. Deferral charges of \$15.1 million were charged to operations from 1978 to 1980. Most of the capital costs (\$373.4 million) have been deferred. The balance of this account was \$352.5 million as at December 31, 1983. Ongoing site maintenance costs of \$.6 million per year are charged to operations.

Mothballed Facilities

R.L. Hearn TGS (Thermal Generating Station) - all eight units mothballed to 1988. Capital costs are being amortized. At December 31, 1983 the amount of amortization charged to operations was about \$20.6 million. The cost of mothballing, \$5.2 million, was charged to operations during 1979-83.

Lennox TGS - four oil-fired units mothballed for \$2.4 million, charged to operations from 1980-83. Capital costs are amortized. As at December 31, 1983, total amount of amortization charged to operations was \$33.4 million.

J. C. Keith TGS - four coal-fired units mothballed in 1976, but returned to service in 1981 to provide electricity to General Public Utilities (GPU) of New Jersey. This contract expired in December 1983 and units 1 and 2 were mothballed, at a cost of \$2.2 million, charged to 1983 operations.

In addition to the preceding, Thunder Bay unit 1 (coal) was mothballed in March 1984. J.C. Keith units 3 and 4 were also mothballed in March 1984. Bruce Heavy Water Plant "A" was scheduled for mothballing in July 1984, since current forecasts indicate that Ontario Hydro's heavy water demands can be met with production from one plant, Bruce Heavy Water Plant "B".

The Committee was interested in Hydro's rationale for maintaining the Lambton TGS in service. It was advised that, under current load forecast conditions, a significant quantity of coal-fired generation is required to meet capacity and energy requirement. The Lambton units are among the most efficient and reliable coal-fired units in the system. In addition, its favourable location, near the Michigan-Ontario border, facilitates export sales. Lambton is not kept on stream because of the Nuclear Payback Agreement and the Corporation has no plans to mothball the station.

RECOMMENDATION:

- #18. The Committee believes that the accountability of Ontario Hydro should be strengthened, particularly in light of the Corporation's annual expenditures, and substantial capital and borrowing requirements. The Committee also believes that there should be a suitable forum within the Legislature, for the effective discussion of these issues.

Therefore, the Committee recommends that the government give consideration to the implementation of certain mechanisms designed to ensure Hydro's accountability to the Legislature, the government and the Ontario public. Such mechanisms might include: a pre-Budget examination of Ontario Hydro's finances; an annual review of Hydro's borrowing requirement and its impact on the government's credit rating and contingent liabilities; and/or the re-establishment of a select committee of the Legislature to investigate the affairs of Ontario Hydro.

Approval and Administration of Rygate Homes Inc.
Subdivision Agreements,
Ministry of Municipal Affairs and Housing

Pursuant to a motion passed by the Public Accounts Committee in May, 1984, the Provincial Auditor investigated the approval and administration of the subdivision agreements between the Ministry of Municipal Affairs and Housing, and Rygate Homes Inc., for the development of Forrest Glen Subdivision in the unorganized Township of Striker (near Blind River, Ontario).

In particular:

- a) why the Ministry approved such a subdivision with communal water services in an area without municipal organization;
- b) why, in the event of such approval, a performance bond was not secured in order to guarantee completion of the project and services; and
- c) why the letters of credit with the Bank of Montreal, the only protection the government had, were allowed to lapse before the project's completion, with the result that the Ontario Land Corporation is now completing the project at the taxpayers' expense, as Rygate Homes Inc. is apparently insolvent.

The Auditor submitted his report to the Ministry of Municipal Affairs and Housing (MAH) and to the Public Accounts Committee. The Deputy Minister, Assistant Deputy Minister of Community Planning, and other senior Ministry officials appeared before the Committee to discuss the issue.

Approval of Subdivision

In April 1978, Rygate Homes Inc. submitted a subdivision application to the then Ministry of Housing, proposing a development of 222 single residential lots with a communal water system and individual septic tanks. The Ministry gave its draft approval of the subdivision plan on September 11, 1978.

The subdivision agreements were drawn up between the Ministry of Housing and Rygate Homes Inc. and the development was divided into three phases, due to a concern of the Ministry of the Environment regarding groundwater contamination. The first two phases were approved in February and November of 1979, with the third approved in May of 1981. The total

number of lots was reduced to 192, which were divided among the three phases of the agreement. Also, it was stipulated that certain works be completed by Rygate, under each phase of the agreement.

Under normal circumstances, a municipality would enter into an agreement with the developer, for the completion of works in a subdivision. However, since this development was in an unorganized township (with no municipal organization), the Ministry acted in place of the municipality. Its responsibility was to perform the general administration of the subdivision agreements, ensuring that the developer conformed to specifications. The completed works were inspected on behalf of the Ministry by the appropriate agencies - the Ministry of Transportation and Communications (MTC) inspected the roads, while the Ministry of the Environment (MOE) inspected the communal water system.

Rygate's responsibilities were similar in each phase of the agreement and included maintenance of the roads and communal water system, including well sites, until these were assumed by an appropriate authority. Additionally, Rygate was responsible for depositing, with the Minister, irrevocable letters of credit or performance bonds issued in the amount of 100 percent of the estimated costs of the works for an initial period of one year. These securities were subject to renewal by Rygate at the Ministry's request.

The Ministry approved the development because: a) there was a need for housing in the Blind River-Elliot Lake area, due to industrial growth; b) the proposal was supported by the Town of Blind River and annexation of the development area to Blind River was being studied; and c) communal water services were proposed by Rygate and supported by MOE because of the potential for contamination of individual wells by septic systems.

While annexation seemed a reality in 1978-79, the Mayor of Blind River agreed to the development only if the Province would finance the costs

of upgrading services or new installations should they be necessary, at the time of, or after, annexation. Currently, although the Ministry has proposed annexation, Blind River does not intend to annex the subdivision until all the services are brought up to specification.

The Ministry of the Environment proposed a communal water system and septic tanks for the project. The system was to consist of two wells and a pumping system downgradient of the development. Provision and maintenance of the system by Rygate was stipulated in each of the three subdivision agreements.

Letters of Credit

The three subdivision agreements stated that the developer was to provide either letters of credit or performance bonds as security, but not both. The normal practice of municipalities when dealing with subdivision agreements, is to request an irrevocable letter of credit or a cash deposit. In this case, because the Ministry was acting in place of a municipality, Rygate chose to provide letters of credit as performance security. Generally, performance bonds are used by developers in their contracts with contractors for the completion of works. A letter of credit is equivalent to a performance bond in terms of security, but it has a predetermined expiry date. An irrevocable letter of credit is like cash since it is paid on demand when presented to the issuing chartered bank. The estimated costs of the works were submitted to the Ministry by the developer's engineers. The Plans Administration Division of the Ministry relied on other ministries, such as MTC and MOE, to provide assurance as to the legitimacy of the estimates and the work done. All estimates for the roads and water system were confirmed as reasonable, except for the fencing, in which case, the Canadian Pacific Railway would not be responsible for the estimates. The Ministry, therefore, accepted the judgement of MOE and MTC that certain technical and engineering works (i.e., the road construction and water system) had been completed to specification. Essentially, these assurances were the condition upon which the letters of credit were released throughout the entire process. These

responsible ministries were, in turn, relying on the developer's engineers for accuracy. Later, some of this work proved to be sub-standard, as the water system had to be upgraded considerably.

Irrevocable letters of credit were obtained for all works in phase I and II, and stage I of phase III. The letters covered a period from January 1979 to May 1982. As work was completed, the developer's engineer submitted to the Ministry, a certificate of outstanding construction costs to completion. Upon receiving verification from the other ministries and agencies involved, the Ministry accordingly reduced the letter of credit amounts for the completed works. However, as required in the subdivision agreements, the Ministry always held back sufficient amounts to ensure completion of the outstanding works in each stage, and to ensure maintenance of the roads and communal water system.

Prior to the expiration of the letters of credit, the Plans Administration Division of the Ministry monitored the expiration dates on an informal basis with an administrative officer in the Corporate Secretary's office. Before a letter of credit expired, all necessary steps were taken to obtain its renewal.

This informal situation operated well during phase I and II of the construction. In 1981, during phase III, the responsibility for administration of this phase, and outstanding works in phases I and II, was transferred to the Contract Engineering Section of the Ontario Land Corporation. The manager of this section also had an informal arrangement with the administration officer in the Corporate Secretary's office. Subsequently, however, there was a change in administration officers in the Corporate Secretary's office, which resulted in confusion and misunderstanding as to the responsibilities of the personnel and their respective sections, vis-à-vis the letters of credit. Thus, the letters of credit lapsed. After the letters of credit lapsed, an internal Ministry audit identified several weakness with regard to internal controls and procedures, and a general lack of accountability. Subsequently, a new procedure was instituted to prevent a recurrence of this situation. It is now the responsibility of the Contract

Engineering Section to initiate the renewal procedure to obtain an extension of an expiry date. The Auditor noted that the new procedure is operating satisfactorily. Ministry officials admitted that proper control, monitoring and documentation were not in place at the time. But, they stressed, the situation has since been rectified.

When the letters of credit lapsed, the estimated total cost of outstanding works was \$85,205. Including holdbacks of \$38,054, the Ministry held letters of credit totalling \$123,259, which were considered sufficient to complete the works at that time.

Completion of Services

Pursuant to the subdivision agreements, the Ministry was not obligated to complete any outstanding works left by the developer. However, a legal opinion indicated that if the residents commenced legal action against the Province for completion of the works, there could be sufficient grounds for success in that the residents could claim that they relied upon the registered subdivision agreements as evidence that the Ministry was guaranteeing completion of the services. In addition, the Ministry believed it had an obligation to protect the purchasers in the subdivision, and thus arranged for the Ontario Land Corporation (OLC) to oversee completion of the outstanding works.

In February 1984, the Ministry estimated that the cost to complete the services required by the subdivision agreements would be \$231,000. This included roadwork and ditching, watermain and pipe, wells and filtration system, and fencing along the CPR line. To September 30, 1984, the Ministry had committed a total of \$213,000 for these and other services. Of this amount, \$155,000 had been spent. Fencing will cost a further \$60,000 to complete, and the current estimate for a certain type of filtration system (perhaps needed because of high iron content) is \$70,000. Therefore, the estimated costs at September 30, 1984 were \$343,000. This amount does not include a provision for work that may be necessary to rehabilitate drainage ditches on certain lands in and adjacent to the subdivision. As of September

1984, the roads, watermains and drilling of wells had been completed. The filtration system will be installed by March 1985. The fencing is not finished.

Legal Implications

When the letters of credit lapsed, Rygate Homes Inc. was (and is) insolvent; i.e., it was unable to meet its debt obligations as they came due. As such, the developer could not reinstate the lapsed letters of credit and the Bank of Montreal was unwilling to advance more credit.

The Ministry filed a Writ of Summons in the Supreme Court of Ontario in August 1983 against Rygate. It was filed on behalf of the Ministry of Municipal Affairs and Housing (MAH) and MTC for: specific performance of the subdivision agreements with respect to the provision of certain works (roads, drainage, fences, communal water system); letters of credit and conveyances of certain lands; damages for failure to perform the subdivision agreements; interest; and costs.

Since Rygate did not defend the Writ in court, the Ministry must prove costs incurred as a result of Rygate's default on the subdivision agreements. To do this, the Ministry is completing the outstanding works. When full costs are available, the Ministry will apply for a default judgement, which could enable it to seize the developer's assets.

Currently, there are 17 serviced lots, one serviced commercial block and 46 unserviced housing lots remaining in the subdivision. The Ministry cannot estimate, at this time, what net amount, after sale, could be recovered from those lots. Ministry officials estimated that the serviced lots were worth about \$10,000 each, and the unserviced lots, about \$3,000 each. It was not possible to estimate the value of the commercial block. Whatever the total value turns out to be, it may not all go to the Ministry. The Bank of Montreal has about \$200,000 outstanding from Rygate on a mortgage and the Toronto Dominion Bank also has a small second mortgage. As such, the

banks are considered preferred creditors. The Ministry and the various contractors who have registered liens against Rygate, rank behind the preferred creditors.

The Ministry has placed Inhibiting Orders on all the remaining lands in the subdivision. As such, the lands are frozen to all parties. The Ministry and the banks are currently in the process of negotiating an agreement to mutually resolve the recovery of their respective costs. Ministry officials remain hopeful that the provincial taxpayers will ultimately receive some of the money that is being spent on completing the subdivision. In attempting to recover costs, the Ministry will pursue every available option.

COMMENT:

#19. The Committee understands that the Ministry of Municipal Affairs and Housing has instituted procedures for ensuring that proper administrative processes are followed in future, and notes that the Provincial Auditor will monitor these procedures.

COMMITTEE PROCEDURES AND OPERATIONS

The Standing Committee on Public Accounts
Meetings in London, England
October 1-5, 1984

Introduction

The Public Accounts Committee scheduled a trip to London, England as part of its agenda of business for the fall of 1984. In addition to representatives of the Committee and the Provincial Auditor of Ontario, the Committee's Clerk and Research Officer also attended the meetings.

The agenda of business began on Monday, October 1st, with a briefing session at Canada House in the High Commissioner's salon. The Ontario delegation was met by Mr. Stuart Beattie, Minister-Counsellor, Political and Economic Affairs. The primary subject of discussion was the issue of privatization or de-nationalization of Crown enterprises, the ideology of which dates to the late 1970s. The term refers to a variety of activities which have been introduced by the Conservative government under Prime Minister Thatcher and which are designed to reduce the size of the public sector. The range of subjects and meetings on the Committee's week-long agenda included the National Audit Office, the Audit Commission for Local Authorities, the Public Accounts Committee and the privatization of state-owned enterprises.

The week was concluded by a briefing session at Ontario House, hosted by Ontario's Agent General, Mr. Ross DeGeer. The role and responsibilities of Ontario House were explained, and the Agent General arranged a very valuable and informative session with representatives of the National Freight Company (which was privatized in 1982 by a management-led consortium of company employees and pensioners) and executives from Barclays Bank, which engineered the take-over, or buy-out. The Ontario delegation found these discussions most interesting and very beneficial. The Committee extends its formal thanks to all those in London who expended time and effort in creating an inspired and informative agenda.

The National Audit Office

The Provincial Auditor and Committee representatives met with Mr. Philip Cousins, Deputy Comptroller and Auditor General, the National Audit Office.

Public sector auditing in the United Kingdom has its roots in the 14th century, when the first Comptroller General of the Exchequer was appointed. The current office of Comptroller and Auditor General (C & AG) was created by the Exchequer and Audit Departments Act of 1866. Throughout the ensuing years, gradual attention was paid to "value-for-money" examinations into questions of economy, efficiency and recently, effectiveness. By 1921, the C & AG was issuing value-for-money reports and the Public Accounts Committee was conducting hearings into "propriety and regularity".

The National Audit Act of 1983 reflected a number of developments in the status and role of the C & AG and his staff. The new Act reinforced the C & AG's independence from the Executive by establishing him as an Officer of the House of Commons. It created the National Audit Office with the C & AG as its head, and established a clearer framework for its access to government departments and other bodies receiving public funds. The Act also provided statutory authority for the Auditor General's work on economy, efficiency and effectiveness.

Although the new Act was intended to be expansive with regard to value-for-money auditing, attest/compliance audits continue to assume from two-thirds to three-quarters of the National Audit Office's staff time. And, although the mandate of economy, efficiency and effectiveness auditing extends to government departments and public sector bodies involving, for example, health services and housing, it does not extend to nationalized industries or local governments.

The role of the Comptroller General involves authorizing the issue of public funds to government departments and other public sector bodies. This is a relatively straightforward task which requires only three staff out of a total of 850 in the entire National Audit Office. Under the 1983 Act, these staff

ceased to be civil servants paid by the Treasury. The Office's budget is now voted by Parliament and is examined and presented for Parliamentary approval by a newly-established Public Accounts Commission. Nine Members of the House of Commons, including two Members of the Public Accounts Committee, sit on the Commission, which meets several times a year with the National Audit Office, and reports periodically on its activities to the House of Commons.

The C & AG, who is paid directly from the Consolidated Fund, appoints his own staff and determines their grades, salaries and conditions of service. Consequently, there are now wider pay scales, annual staff assessments, performance-related salaries, and the hiring of more and higher quality staff, including outside experts and consultants.

The National Audit Office prepares about 30 reports annually. Many of these are two- to three-page summaries identifying issues, weaknesses and improvements required. Any actual recommendations are, however, left to the Public Accounts Committee to determine.

The C & AG and his staff work very closely with the Public Accounts Committee, which deals with every report prepared by the National Audit Office. The C & AG consults the Committee when scheduling his work programme - mainly in the value-for-money auditing field - and "takes into account" any views or proposals of the Committee. Prior to a Committee hearing, the National Audit Office supplies the Committee with a written brief highlighting the particular report under consideration. The C & AG, together with two additional staff members, attends all Committee hearings and acts in an advisory capacity. After the hearings, the Committee issues its reports, which contain recommendations.

The C & AG is empowered to certify the accounts of all government departments and a wide range of public sector bodies, to examine revenue and departmental accounts, and to report the results of his examinations to Parliament. He also has the statutory powers to carry out, and report to

Parliament on, examinations of economy, efficiency and effectiveness in the use of resources by those bodies he audits, or to which he has rights of access, either by statute or by agreement. The C & AG is the appointed auditor for some 500 public sector accounts, including 200 central government accounts.

As stated previously, he does not audit, or have access to, the accounts of nationalized industries or local authorities. In addition, he does not question the merits of policy objectives when carrying out examinations of economy, efficiency and effectiveness.

The Audit Commission for Local Authorities

The Committee delegation was briefed by Mr. John Banham, Controller of the Audit Commission, as to the nature of the Commission's operations.

The Audit Commission is about 18 months old, having been established under the Local Government Finance Act of 1982. It was created in order to secure efficient use of resources and to stimulate value-for-money activities in the local governments.

The statutory responsibilities of the Audit Commission are:

- to appoint auditors to local authorities in England and Wales;
- to prepare a code of audit practice which is approved by both Houses of Parliament;
- to prescribe fee scales applicable to both district auditors and private approved auditors;
- to require an extraordinary audit of a local authority's accounts if necessary;
- to undertake or promote studies designed to enable the Commission to make recommendations for improving economy, efficiency and effectiveness in the provision of local government services; and
- to undertake studies on the impact of statutory provision or ministerial direction on economy, etc., in local government.

The Commission acts independently of both central and local government, although the Secretary of State has the power of direction. It has no powers to impose solutions on a local authority, but it can "insist on adequate publicity for its reports".

The creation of the Commission was greeted by considerable suspicion by the local governments. Therefore, one of the first tasks of the Commission was to reassure local authorities that it was not interested in policy decision, but rather, in how decisions are implemented. The long-term job of the Commission is to create both a system and an atmosphere within each local authority, in which increased efficiency and effectiveness are regarded as constant priorities. To accomplish this, the Commission is comprised of 15 part-time members appointed by the Secretary of State and 600 full-time field auditors covering over 500 principal authorities.

The Committee of Public Accounts

The Ontario delegation met with three Members of the Select Committee of Public Accounts and the Committee's Clerk.

The Select Committee of Public Accounts was established in 1861 and is the senior Parliamentary Select Committee dealing with financial matters. Currently, the Committee has 15 Members, appointed in proportion to party strength in the House. It is chaired by a senior Member of the Opposition (currently Mr. Robert Sheldon - Labour). Members are usually chosen for their financial knowledge, and are generally appointed for the life of the Parliament. The Committee does not concern itself with policy objectives in its investigations, and is noted for conducting its business and issuing recommendations in a non-partisan manner.

The Committee sits throughout the session (from October to October), often twice weekly. Individual meetings are usually two hours in length. Rarely does the Committee meet in camera, and rarely does it vote on any issue.

Its powers of sanction include the power to send for persons, papers and records in its pursuit and disclosure of facts and information. The Committee hears evidence from the Accounting Officer (the permanent head) of an audited department concerned. Ministers may come and go; therefore, the Committee believes that the Accounting Officers (i.e. Permanent Secretaries or, in Ontario, Deputy Ministers) should be held accountable for the departments' activities.

All accounts certified by the C & AG and submitted to Parliament are referred to the Committee for examination, together with the related C & AG's reports. In practice, the Committee concentrates largely upon the reports, and seldom examines the details of the accounts themselves. The C & AG and his staff attend every Committee hearing, suggest issues for the Committee to pursue, and provide background research as required.

The Committee submits its reports to Parliament throughout the year on the results of its enquiries, with recommendations for further action. The government responds to each report in a published Treasury Minute, giving information on the steps taken to implement the Committee's recommendations. The Committee may, in turn, follow up with subsequent action. The Committee's reports and the Treasury Minutes are debated once a year in the House.

At one time, Treasury worked closely with the C & AG. Today, Treasury comes more to the aid of the audited government departments by advising them in their activities. It monitors the work of the Public Accounts Committee and sends a representative to all Committee hearings.

Each division of Treasury monitors certain government departments and there is a government accounting policy manual which governs all departments. While ministers remain answerable to Parliament, it is the Accounting Officer (or Permanent Secretary) who is responsible for each department's accounting and for reporting to the Public Accounts Committee. In May 1984, Treasury published a government directive

entitled "The Responsibilities of an Accounting Officer". A copy was given to the Ontario Public Accounts Committee and it has proven to be an important and interesting document. A copy of this memorandum is included with this report, immediately following this section.

The Committee has produced some 36 separate reports so far this year. The Committee's Clerk made several reports available to the Ontario delegation for purposes of information and comparison. Normally, persons are not named in the reports - only the particular government department or agency involved. Sometimes, the reports are raised in Estimates reviews by the Chairmen assigned to special Committees dealing with the Estimates.

The overriding impressions of the British Committee of Public Accounts were the non-partisan manner in which business was conducted and its highly reputable role of disclosure and recommendation.

Privatization in the United Kingdom

Due to the ongoing interest of the Ontario Public Accounts Committee in Crown corporations, much of the business in London involved the subject of "privatization" or de-nationalization of public-sector agencies in Great Britain. In this regard, the Committee met with staff from the Department of Energy, H.M. Treasury, Barclays Merchant Bank and the National Freight Company.

In 1979, the UK government embarked upon a program of returning state-owned corporations to the private sector. In the beginning, the motivation of the Conservative Party was political - to differentiate itself from the Labour Party. In 1981-82, the size of the Budget deficit became a problem, and other reasons came into play. The program has become referred to as "privatization" and has steadily gained momentum. Resistance to the concept from agencies still in a nationalized state has markedly reduced. Public opinion, however, is more difficult to assess, perhaps because the disposals so far have not affected the retail sector to any great extent. The privatization of British Telecom may change this.

The rationale behind the privatization movement includes: a) the desire to improve industry performance by increasing the role of market forces rather than state control; b) the desire to encourage competitiveness and efficiency; and c) a need to reduce the public sector borrowing requirement (PSBR).

Privatization is not merely a matter of selling shares in a nationalized industry. To improve industry performance by increasing the role of market forces necessitates other devices for promoting competition. Therefore, the following general considerations are guiding the program:

1. privatization schemes should maximize net consumer benefits - measured by lower prices and improved quality of service, rather than stock market proceeds;
2. the promotion of competition is the most effective means of maximizing consumer benefits and curbing monopoly power;
3. stricter competition policy is preferred to regulation, efficiency audits and related forms of government oversight;
4. compensation should be provided for transitional unemployment, although it is felt that long-term employee prospects will be enhanced by privatization;
5. priority should be given to industries in which consumer benefits are likely to be greatest. Potential benefits depend on the size and stability of the industry and whether healthy competition, rather than monopoly, will follow.

Privatization generally means the formation of a limited company under the Companies Act and the subsequent sale of at least 50 percent of the shares to private shareholders. From 1979 to 1983, most of the businesses earmarked for privatization were statutory bodies, and by the time of the 1983 election, few disposals has actually been achieved. The 1983 Conservative Manifesto, however, set forth an elaborate plan to 1988.

The privatization program is now co-ordinated by the Treasury (Public Enterprise Group). Each government department sponsoring a sale gains approval for its yearly program at the Cabinet Committee level. The program includes a target of producing £2,000 million in proceeds to the government in each financial year, and it lays great emphasis on fostering

competition. In some cases, industries have been restructured to facilitate competition even though this may reduce the sale price when privatized. By the time of the next election, most of the relatively easy privatization targets will have been accomplished. The most difficult are being left to last. These are industries that are either monopolies or "loss-making".

Thusfar, the program is viewed to have been successful for various reasons. To begin with, privatized businesses have generally done well financially. In addition, senior management of nationalized industries are now more interested in the open market. Unions are also seeing the benefits of privatization, and employee relations and confidence have improved as a result of wider employee share-ownership.

On the other hand, the Committee was informed that more work must be done in certain areas. For example, there is still a need for wider public interest in, and acceptance for, the concept of share-ownership. (Although, this seems to be strengthening with the sale of British Telecom). The pricing of shares is also very difficult to determine, and transactions continue to be conducted in an overly-piecemeal fashion. Objectives and priorities should be more clearly defined - whether political or financial - and more attention should be paid to the marketplace, with less reliance on internal government expertise. Only by following this course, will realistic marketing alternatives come to light in a meaningful way.

Methods of Privatization

In most cases, privatization has involved the disposal of a business formerly constituted as a nationalized industry. The initial phase of changing agencies from statutory corporations to Companies Act businesses has had relatively little impact on the way in which the enterprises are run.

To date, industries worth some £3 1/2 billion have been sold and there are plans to sell additional companies at the rate of £2 billion per year. There are essentially two methods of privatizing: flotation on the stock market,

and some other method. The companies are taxed by the government prior to privatization.

About 15 major sales of equity have been organized, involving 21 merchant banks and stockholders. Although final decisions on individual sales are a matter for the government, the city advisers appointed to work with the bankers on individual transfers play a major role in giving the best possible advice at the lowest cost.

In all major cases, privatization has been achieved by the disposal of 51 to 100 percent of the shares in a state-owned company by means of an offer for sale to the public. In most of these cases, a certain percentage of the shares has been reserved for employees, and offered free, at a discount, or on the basis of preferential allocation. Usually, no single interest has been permitted to take more than 15 percent.

The government is particularly attracted to disposal by employee buy-out, since the employees take a major holding in the available equity. The National Freight Company is one such example.

Whether the method of disposal is by stock market flotation, public flotation or management/employee buy-out, special arrangements have been made to encourage employee participation. In some cases, such as Cable and Wireless and Jaguar, long-term profit-sharing schemes have been introduced. Small investors have also been encouraged. Public flotation situations have entailed a wide distribution of prospectuses and application forms. In tender offers, those applying for below a given number of shares have been allowed to bid on a "striking price", and in fixed price offers, allocation in the event of oversubscription has favoured those applying for low numbers of shares.

In cases of national interest, or to prevent takeovers while a privatized company is re-establishing itself, the government has retained specific limited powers through the "special" or "golden" share. The special shares created for Amersham International and Cable and Wireless prevent any one person, or group of persons, from controlling more than 15 percent of the

equity, and similar arrangements are being devised for Jaguar. Particular attention is paid to the extent to which such powers can be limited in terms of time, and generally, the limit is a maximum of four years.

In order for privatization to occur, the government must ensure that sufficient equity is sold to enable the control and ownership of a company to pass to the private sector. Thus, underwriting has become a common feature of government sales; it is the "insurance policy" that guarantees that privatization is achieved.

Disposals and Future Sales

The initial targets chosen for privatization have tended to be industries already making profits and operating in competitive markets. They are listed in the following table.

The more recent sale of 50.1 percent of British Telecom (BT) is the largest initial offering ever seen on the London Stock Exchange. It is expected to raise between about £3-4 billion. The share issue is so large that it will bring in more funds to the government than all previous sales of state-owned companies combined. The source of BT's possible monopoly profit is controlled by a restriction on price increases for local calls to amounts less than the rate of inflation. There will also be a second national trunk network which will be a limited source of competition for the privatized British Telecom. To entice people to buy into the deal, the company is offering new shareholders a bonus of tax-free vouchers that can be used either to pay off telephone bills or to trade for free shares. With the company's potential profitability rising 10 percent annually, it is anticipated that shareholders may make swift profits. If it turns out that the regulatory regime proposed for BT is cost-effective, it is possible that concerns about attempting privatization of other natural monopolies (such as the Central Electricity Generating Board, British Gas, British Rail and the Post Office), will be reduced.

SALES SO FAR (October 1984)

(Proceeds net of costs to nearest £ million)

SALE	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85 to date
1. British Petroleum	276		8		543	
2. British Aerospace		43				
3. British Sugar Corporation			44			
4. Cable & Wireless			182		263	
5. Amersham International			64			
6. National Freight Co.			5			
7. Britoil				334	293	
8. Associated British Ports				46		50
9. International Aeradio				60		
10. British Rail Hotels			40			
11. British Gas Corporation Onshore Oil Assets (Wytch Farm)						82
12. Enterprise Oil						380
13. Sealink						40 (2)
14. Jaguar						297
15. British Technology Group and other Sales	101	167	191	108	69	95 (3)
16. North Sea Oil Licences(Special Licensing Rounds)		195		33		
TOTAL	377 ⁽¹⁾	405 ⁽¹⁾	494 ⁽¹⁾	588	1168	944

(1) Excludes certain advance oil payments technically classified as privatisation receipts which net out to zero over the three years 1979-82.

(2) Sealink proceeds are £66m; the remaining £26m to be received in 1985-86.

(3) Gross proceeds of sale of Inmos by British Technology Group: final details of agreement are still being drawn up.

In the meantime, British Airways could be sold early in 1985 for as much as £1 billion, and by March 1986, British Shipbuilders warship-building yards will be sold. The government has already begun to reconstitute 14 Royal Ordnance munitions factories into a holding company. This may be done by a flotation of the whole company, individual subsidiaries or by sales to trade bidders.

In addition, the government has announced its intention to transfer the operations of the National Bus Company to the private sector as a number of separate independent operating units. During the present Parliament, the government also hopes to privatize substantial portions of British Steel and British Leyland, Rolls Royce and as many as possible of Britain's airports. Thus, the scope for privatization appears to be substantially greater than once commonly believed.

THE RESPONSIBILITIES OF AN ACCOUNTING OFFICER
(LONDON, ENGLAND)

1. A Permanent Secretary (or permanent head of a minor department who may be of lower rank) is appointed by his departmental Minister with the approval of the Prime Minister. Among his other responsibilities, he is responsible to his Minister for the propriety and regularity of his department's expenditure, and for prudent and economical administration. All his functions are governed by the two fundamental principles, that it is the Minister in charge of a department who is responsible to Parliament for all aspects of its policies, organisation and management, and that officials derive their authority from the Minister in charge of their department and are accountable to him for their actions.*
2. In most cases the Permanent Secretary is the Accounting Officer for Votes and accounts administered by his department. In certain departments Accounting Officer responsibility for certain Votes or other accounts is sometimes assigned to very senior officials other than the head of the department, usually of the rank of Second Permanent Secretary. The position of these other departmental Accounting Officers, in so far as it differs from that of permanent heads, is described in paragraphs 19-20 below. Analogous appointments may be made in non-departmental bodies by the heads of their sponsoring departments as described in paragraph 24 below.

* This paragraph describes the common case of a Government department with a departmental Minister and a permanent head. In some cases the machinery of appointment is different, and specific powers may be vested in, for example, the Commissioners of Inland Revenue, and Customs and Excise, or in certain named office-holders, so that to this extent they may have authority not derived from Ministers. Nevertheless, Ministers remain answerable for them to Parliament. The principles set out in the rest of this paper are therefore relevant to the Accounting Officers for these departments too.

3. Appointment as a departmental Accounting Officer is made by the Treasury in compliance with section 22 of the Exchequer and Audit Departments Act 1866 and section 4(6) of the Government Trading Funds Act 1973. It lays on the appointee the personal duty of signing the accounts described in his letter of appointment and, by virtue of that duty, the further duty of being the principal witness on behalf of the department before the Committee of Public Accounts (PAC), to deal with questions arising from those accounts. From these duties flow certain responsibilities which are in any event part of the responsibilities of a Permanent Secretary, but which are traditionally associated with, and emphasised by, his role as Accounting Officer. It is these responsibilities which are the subject of this memorandum.
4. The standard practice of appointing the permanent head of a department as the Accounting Officer for that department's Votes and accounts reflects the view that finance is an inseparable element in most policy questions, and financial responsibility an inseparable part of efficient organisation and management. The permanent head is the only official in a position to discharge responsibility as a whole for the money entrusted to the department, for its resources of manpower, and for the control of assets in its keeping such as land, buildings or other property.
5. The responsibilities of an Accounting Officer can be summarised as follows:
 - a) He must sign the Appropriation and other Accounts assigned to him. Although the underlying accounting work will have to be carried out by members of the department on his behalf, the Accounting Officer's signature implies personal responsibility for the proper presentation of the expenditure and receipts included in the account and, in the case of a trading account, that in his opinion it is properly drawn up so as to exhibit a true and fair view of the transactions and state of affairs of the services to which it relates. In the case of other accounts, known as "White Paper" accounts,

prescribed by specified legislation, for example, in regard to advances to nationalised industries, the legislative context generally determines the nature and extent of the Accounting Officer's responsibilities.

- b) He must ensure that correct financial procedures are followed, including specifically those mentioned in paragraphs 7 and 8 below; and more broadly that the accounts for which he is responsible are maintained in a form suited to the requirements of management as well as in the form prescribed for Vote accounting purposes.
 - c) He must ensure that the public funds for which he is responsible as Accounting Officer are properly safeguarded, with independent and effective checks, made without reference to personal considerations, of cash balances in the hands of any official. Similar care, including checks as appropriate, must be taken of stores or any public property.
 - d) He must ensure that, in the consideration of policy proposals relating to the expenditure or income for which he is Accounting Officer, all relevant financial considerations are taken into account, and where necessary brought to the attention of Ministers with appropriate emphasis and in an appropriate form. These considerations include the need for economy and the avoidance of extravagance or waste.
 - e) Similarly he must ensure that in the implementation of expenditure programmes as authorised by Ministers proper regard is given to economy and the avoidance of waste.
6. Proper management of expenditure includes the preparation of the material on which decisions are taken; the efficiency with which administrative operations are carried out; the cost-consciousness of staff at all levels; the provision of special skills and services (scientific, statistical, accountancy, O & M etc.) for handling particular problems,

and the selection and training of staff. Good management requires effective delegation. A person appointed to be an Accounting Officer cannot perform himself, or even closely supervise, all the various procedures needed to carry out his responsibilities. He must make sure that his department is organised and staffed on sound lines so as to provide for proper delegation of duties and financial management including the promotion of economy, efficiency and effectiveness in the use of the resources available to his department. He should pay particular attention to the adequacy and effectiveness of arrangements for internal audit. The officer in charge of this function should normally be responsible to the Principal Finance Officer, with direct access to the Accounting Officer where necessary.

Regularity and Propriety of Expenditure

7. An Accounting Officer has a particular responsibility for ensuring compliance with Parliamentary requirements in the control and management of expenditure. A fundamental requirement is that the funds for which he is responsible should be applied only to the extent and for the purposes authorised by Parliament. In the case of voted expenditure he must ensure that any payments made are within the ambit and amount of the Vote, and that Parliamentary approval has been sought and given. In cases not covered by the original estimate, eg in connection with a service not contemplated when the original estimate was presented, or where a temporary advance from the Contingencies Fund has been sanctioned by the Treasury, he must ensure that Parliamentary approval is sought and given at the earliest opportunity by way of a Supplementary Estimate, or if necessary Excess Vote. In cases involving losses or special payments, he must ensure that Parliament's attention is drawn to the matter by suitable notation of the Appropriation Account.
8. The Accounting Officer is responsible for ensuring that specific Treasury sanction for the expenditure has been obtained in all cases where it is required. It is required for any expenditure not covered by any standing authorities delegated by the Treasury to the department.

It is required before expenditure is incurred on any subhead of a Vote in excess of the amount specified for that subhead in the Estimates, even though savings may be available elsewhere and the expenditure itself falls within the delegated authority of the department. Expenditure may never be incurred in excess of the total net sum authorised by Parliament to be spent on any one Vote, save where a temporary advance from the Contingencies Fund has been sanctioned by the Treasury, in which case as mentioned in paragraph 7 Parliamentary approval for its repayment must be sought at the earliest opportunity. The Accounting Officer is also responsible for ensuring that adequate machinery exists for the collection and bringing to account in due form of all receipts of any kind connected with the Votes and accounts for which he is responsible.

Relations with the Minister

9. The Accounting Officer has particular responsibility to see that appropriate advice is tendered to Ministers on all matters of financial propriety and regularity and more broadly as to all considerations of prudent and economical administration. He will need to determine how and in what terms such advice should be tendered, and whether in a particular case to make specific reference to his own duty as Accounting Officer to justify to the PAC his department's expenditure.
10. If the Minister in charge of the department is contemplating a course of action involving a payment which the Accounting Officer considers would infringe the requirements of propriety or regularity, the Accounting Officer should set out in writing his objection to the proposed expenditure and the reasons for his objection. If the Minister decides nonetheless to proceed, the Accounting Officer should seek a written instruction to make the payment. Having received such an instruction, the Accounting Officer must comply with it, but should then inform the Treasury of what has occurred, and should also communicate the papers to the Comptroller and Auditor General. Provided that this procedure has been followed, the PAC can be expected to recognise that the Accounting Officer bears no personal responsibility for the expenditure.

11. If a course of action is in contemplation which raises an issue not of formal propriety or regularity but more widely of prudent and economical administration, it is the duty of the Accounting Officer to draw the relevant factors to the attention of his Minister and to advise him in whatever way he deems appropriate. He may think it right to refer to the possibility of criticism by the PAC. If his advice is overruled, he should ensure that both his advice and the overruling of it are apparent clearly from the papers.

Appearance before the PAC

12. An Accounting Officer appears before the PAC to answer their questions concerning the expenditure from the Votes and other accounts for which he is Accounting Officer and related activities. He may be supported by other officials, who may, and commonly do, join in giving the evidence.
13. The Financial Secretary to the Treasury is formally a member of the Committee but rarely attends. Treasury officials regularly attend Committee hearings and are usually asked to comment on the evidence. They then speak as representatives of the Executive and subject to collective Ministerial authority, but are expected to comment from the standpoint of the department which has the formal responsibility for presenting Estimates to Parliament and for prescribing the form of accounts. This goes with the Treasury's central responsibility for the operation of public expenditure control. Parliament has traditionally regarded the Treasury as an ally in controlling expenditure.
14. The Accounting Officer will be expected to furnish the PAC with explanations of any indications of irregularity, waste or extravagance or inefficient administration, or weakness in financial procedure, to which their attention has been drawn by the Comptroller and Auditor General or about which they may wish to question the Accounting Officer.

15. In practice, the Accounting Officer will have delegated authority widely, but he cannot on that account disclaim his responsibility. Nor, by convention, does the incumbent Accounting Officer decline to answer questions where the events took place before he assumed his appointment; the Committee may be expected not to press his personal responsibility in such circumstances.
16. The Committee have emphasised the importance they attach to accuracy of evidence, and the responsibility of witnesses to ensure this. The Accounting Officer should ensure that he is adequately and accurately briefed on matters on which he gives evidence. He may ask the Committee for leave to supply information not within his immediate knowledge by means of a later note. Should it be discovered subsequently that the evidence provided to the Committee has contained errors, these should be made known to the Committee at the earlier possible moment.
17. In general, the rules and conventions governing appearances of officials before Parliamentary Committees apply to the PAC, including the general convention that civil servants do not disclose the advice given to Ministers. Nevertheless, in a case where the procedure described in paragraph 10 was used concerning a matter of propriety or regularity of expenditure, the Accounting Officer's advice, and its overruling by the Minister, would be disclosed to the PAC. In a case where advice of an Accounting Officer has been overruled in a matter not of propriety or regularity but of prudent and economical administration it will be appropriate for an Accounting Officer, questioned about the matter at the PAC, to lay stress on the fact that it was a decision by his Minister. He should seek to avoid disclosing advice given to his Minister, but should be ready to explain the reasons for the Minister's decision and may be called on to satisfy the Committee that all relevant financial considerations were brought to the Minister's attention before the decision was taken. It will then be for the PAC to pursue the matter further with the Minister if they so wish.

Absence of Accounting Officer

18. The PAC may be expected to postpone a hearing if the relevant Accounting Officer is temporarily indisposed. Where the Accounting Officer is unable by reason of incapacity or absence to sign the Appropriation Account in time to render it to the Comptroller and Auditor General the department may render unsigned copies pending his return. If the Accounting Officer is unable to sign the Account in time for printing the department should ask the Treasury to appoint an interim Accounting Officer.

Additional Accounting Officers

19. Where one or more senior officials, other than the permanent head of the department, are appointed as Accounting Officers for certain Votes or accounts, there should be a clear understanding of their relationship not only with their Minister but also with the permanent head. The permanent head remains in general charge of the department, and in particular, of its organisation, management and staffing and department-wide procedures in financial and other matters. He must ensure that these promote the efficient and economical conduct of all its affairs, and safeguard financial propriety and regularity throughout the department. It is within that framework that any additional Accounting Officers are responsible for the Votes and accounts assigned to them. In matters affecting their responsibilities as Accounting Officer, their judgement should only be overridden by or with the specific agreement of their Minister. In such cases the Minister may also seek the views of the permanent head.
20. The position of an additional Accounting Officer when he appears before the PAC is thus different from that of a permanent head who carries full responsibility under his Minister for the organisation and management of his department as a whole. An additional Accounting Officer is however able, on the basis of his discharge of his own responsibilities, to answer most questions which may be raised by the

PAC concerning expenditure and activities in his field. If PAC questioning is directed to matters determined by the permanent head and the additional Accounting Officer finds himself in difficulty in responding, the Committee could be expected to accede to a suggestion that they seek evidence from the permanent head as well as from the Accounting Officer for the expenditure under discussion.

Accountability in Non-departmental Public Bodies

21. The Treasury also appoints Accounting Officers for certain non-departmental bodies, the vote financed museums and galleries, the Manpower Services Commission and the Health and Safety Commission. Appointments of this kind are made by analogy with appointments of Accounting Officers in departments. The normal practice is to appoint the senior full-time officer of the body. Those so appointed have broadly the same duties as departmental Accounting Officers as described above and exercise them on behalf of the office-holder or holders in charge of the body. The Accounting Officer of a non-departmental body, like the Accounting Officer of a department, is responsible for all the public funds entrusted to him, and for signing the related accounts.

22. In all cases where a department gives a grant-in-aid to a non-departmental public body this should be done on terms which clarify the respective responsibilities of the Accounting Officer of the department and the senior full-time official of the recipient body. The responsibility of the Accounting Officer in the sponsor department is to ensure that the conditions attached to the grant-in-aid conform with the terms of the Vote; to monitor compliance with those conditions by the body; and to satisfy himself that the financial and other management controls applied by the department are appropriate and sufficient to safeguard public funds.

23. The senior full-time official of the recipient body (the Chief Executive or equivalent) carries a similar responsibility to that of departmental Accounting Officer so far as expenditure out of the grant-in-aid is concerned. This includes in particular responsibility for ensuring that the accounts of the body are properly presented, and for the matters set out in paragraph 6 above within the recipient body. The senior full-time official will normally be expected to be a signatory of the accounts. The PAC has traditionally attached great importance to the responsibilities of the signatories of public accounts prepared by non-departmental bodies and any of them are liable to be summoned to appear before the Committee, alongside the departmental Accounting Officer concerned. They should therefore be notified by the sponsor department of that liability.
24. The degree of formality attached to such notification is a matter for the Accounting Officer of the department providing the grant-in-aid. In the case of a large grant-in-aid the senior full-time official may be formally designated "accounting officer" and should be sent a personal copy of this memorandum by the departmental Accounting Officer. In the case of a small one such formality may be inappropriate. In general it will be prudent to deal with the matter formally since it cannot be forecast whether a PAC appearance will be required.
25. Whenever the formal procedure is followed it should include specific transmission of this memorandum and the letter of appointment should be copied to the Comptroller and Auditor General, the Clerk to the PAC and the Treasury Officer of Accounts.

APPENDIX: MINUTES

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 1

TUESDAY, FEBRUARY 28, 1984

ORDER: The Committee met at 10:05 o'clock a.m. this day, the Chairman, Mr. P. Reid, presiding.

ATTENDANCE: Members of the Committee present: Messrs. Bradley, Cunningham, Havrot, Reid, Mrs. Scrivener, Messrs. Wildman, Yakabuski.

Substitutions: Mr. Conway for Mr. Sargent; Mr. Lane for Mr. Robinson; Mr. McLean for Mr. Harris; Mr. Philip for Mr. Foulds.

Witnesses: From the Management Board of Cabinet: Mr. J. Keenan, Assistant Secretary of the Management Board; Mr. P. Gelinis, Director, Expenditure Policy and Divisional Services Branch.

From the Ministry of Treasury and Economics: Mr. T. Campbell, Deputy Minister; Mr. D. J. McColl, Assistant Deputy Minister, Office of the Treasury; Mr. R. Watson, Director, Finance Management Branch; Mr. D. Millar, Manager, Cash and Investment Management Operations; Mr. R. Methery, Director, Financial Information and Accounting Policy; Mr. J. Ilkiw, Senior Policy Advisor, Pension and Income Support Policy Branch, Office of the Budget.

In attendance: From the Office of the Provincial Auditor: Mr. D. Archer, Provincial Auditor; Mr. K. Leishman, Director, Reporting and Standards Branch.

Ms. E. Gardiner, Research Officer.

PROCEEDINGS: The Chairman informed the Committee that he had received several notices of motion and that he was going to let them be presented before going on to the regular business of the Committee.

Mr. Conway gave notice of motion. It stated:

That the Provincial Auditor be directed to investigate and review the financial management and administrative systems of Algonquin College and to report to this Committee regarding the efficiency, effectiveness and economy of such financial management and administrative systems.

Mr. Conway spoke briefly.

The Chairman called upon Mr. Philip, who gave notice of motion. It stated:

That as early as possible after the Legislature reconvenes this Committee schedule a full public investigation into how \$260,518 in Algonquin College tuition fees were transferred to a private numbered company and into the reasons for the overpayment of \$2.2 million by the Ministry of Colleges and Universities to Algonquin College. Furthermore, that officials of Algonquin College be called before the Committee to ascertain whether or not appropriate internal auditing and administration procedures are now in place to assure that future occurrences of a similar nature are not likely to be repeated.

Mr. Philip spoke briefly.

The Chairman called upon Mr. Cunningham, who gave notice of motions. The first stated:

That in view of an anticipated loss of more than \$250,000 by Metro Canada (a subsidiary of the U.T.O.C.) on the sale

- 2 -

of four residential homes in Vancouver, the Auditor conduct a complete investigation into this matter and report back to the Committee.

The second motion stated:

That the Public Accounts Committee call upon Mr. George McCague, Chairman of the Management Board of Cabinet, to appear before this Committee to explain the awarding of a \$42,600 payment to Decima Research Limited by the Ministry of Citizenship and Culture in apparent disregard of the tendering requirements of the Management Board of Cabinet Manual of Administration.

The Chairman stated that the motions would be dealt with on the following day (Wednesday, February 29, 1984).

The Chairman called the Committee's regular business.

Mr. McLean requested that the motions be dealt with on the afternoon of Wednesday, February 29, 1984.

The Committee agreed.

The Chairman called the first item of business.

The witnesses made statements and answered questions.

At 11:50 o'clock a.m. the Committee recessed until 2:07 o'clock p.m.

The Chairman asked the Committee's indulgence. He stated that it was the practice of the Committee to deal with motions, once notice had been given, the following week.

The Committee agreed to follow established procedure and deal with the motions on Tuesday, March 6, 1984.

The Committee continued to hear witnesses, who made statements and answered questions.

The following documents were filed with the Clerk of the Committee as Exhibits:

- | | |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Exhibit No. 1 | - Background Paper on Sections 4.11 and 4.12 (Management Board Orders and Special Warrants) of the Provincial Auditor's 1982 Report, prepared by the Committee's Research Officer. |
| Exhibit No. 1A | - Paper on Management Board Orders and Special Warrants presented by J.W. Keenan, Assistant Secretary, Management Board of Cabinet. |
| Exhibit No. 1B | - Background Paper on Sections 5.11 and 5.12 (Management Board Orders and Special Warrants) of the Provincial Auditor's 1983 Report, prepared by the Committee's Research Officer. |
| Exhibit No. 2 | - Background Paper on Contingency Funds and how they operate in the Ontario Government, prepared by the Committee's Research Officer (Jan. 10, 1983). |
| Exhibit No. 3 | - Background Paper on Cash Management: An Analysis, prepared by the Committee's Research Officer (Dec. 15, 1982). |


OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

- 3 -

- Exhibit No. 4 - Background Paper on Deposit Trust and Reserve Accounts, prepared by the Committee's Research Officer (Dec. 16, 1982).
- Exhibit No. 5 - Report to the Board of Governors on the Financial Management Program, Algonquin College.

ADJOURNMENT:

At 3:27 o'clock p.m. the Committee adjourned until Wednesday, February 29, 1984 at 10:00 o'clock a.m.



Franco Carrozza
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 2

WEDNESDAY, FEBRUARY 29, 1984

ORDER: The Committee met at 10:11 o'clock a.m. this day, the Chairman, Mr. P. Reid, presiding.

ATTENDANCE: Members of the Committee present: Messrs. Bradley, Cunningham, Havrot, Reid, Mrs. Scrivener, Messrs. Wildman, Yakabuski.

Substitutions: Mr. Conway for Mr. Sargent; Mr. McLean for Mr. Harris; Mr. Lane for Mr. Robinson; Mr. Philip for Mr. Foulds; Mr. MacQuarrie for Mr. Kennedy.

Witnesses: Mr. R. Carman, Secretary of the Management Board of Cabinet.

Mr. W. Cornell, Deputy Minister, Ministry of Municipal Affairs and Housing.

Mr. R. M. McDonald, Deputy Minister, Ministry of Consumer and Commercial Relations.

Dr. H. Fisher, Deputy Minister, Ministry of Education and Ministry of Colleges and Universities.

Mr. G. Raymond, Deputy Minister, Ministry of Health.

Mr. J. Humber, Director, College Affairs Branch, Ministry of Colleges and Universities.

Mr. E. Fleming, Assistant Deputy Minister, Municipal Affairs, Ministry of Municipal Affairs and Housing.

Mr. R. Reid, Executive Director, Institutional Division, Ministry of Health.

In attendance: From the Office of the Provincial Auditor: Mr. D. Archer, Provincial Auditor; Mr. K. Leishman, Director, Reporting and Standards Branch.

Ms. E. Gardiner, Research Officer.

PROCEEDINGS: The Committee continued to hear presentations.

The witnesses made statements and answered questions.

At 12:12 o'clock p.m. the Committee recessed until 2:09 o'clock p.m.

The Committee resumed hearing presentations.

The witnesses made statements and answered questions.

Before adjournment, the Chairman advised the Committee that he had received a notice of motion from Mr. Bradley. He stated that he was allowing the Member to place it with a short explanation.

The motion stated:

That the Chairman of the Management Board, Mr. George McCague, be requested to attend the Committee to offer an explanation for apparent irregularities in the awarding of contracts under the Ministry of Industry and Tourism, to Peter Barnard and Associates, and within the Ministry of Agriculture and Food, to Dorey and Crossley Communications.

- 2 -

It would appear, based on information tabled today by Liberal Leader David Peterson, that we have discovered that contracts involving expenditures of more than \$150,000 in public funds were allocated without tender. In each case, it would appear that there has been a deliberate manipulation of the rules to contravene the provisions of the Manual of Administration.

Shortly afterwards, the Chairman suggested that the motion be included with the others and be dealt with on Tuesday, March 6, 1984.

The Committee agreed.

The following documents were filed with the Clerk of the Committee as Exhibits:

- Exhibit No. 6 - Background Paper on the 1983 Auditor's Report, prepared by the Committee's Research Officer.
- Exhibit No. 7 - Letter sent by the Chairman of the Committee to the Deputy Ministers of Health, Education, Treasury and Economics, Management Board of Cabinet, Municipal Affairs and Housing, and Community and Social Services.
- Exhibit No. 7A - Background Paper on Section 3.2 (Accountability for Transfer Payments) of the Auditor's 1983 Report, prepared by the Committee's Research Officer.
- Exhibit No. 7B - Remarks by the Deputy Minister of Health on Section 3.2 of the Auditor's 1983 Report.
- Exhibit No. 7C - Remarks by the Deputy Minister of Education on Section 3.2 of the Auditor's 1983 Report.
- Exhibit No. 8 - Letter received from the Office of the Provincial Auditor re responses received from Ministries with regard to the various sections of the Provincial Auditor's 1983 Report.

ADJOURNMENT:

At 3:05 o'clock p.m. the Committee adjourned until Thursday, March 1, 1984.



Franco Carrozza
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 3

THURSDAY, MARCH 1, 1983

ORDER: The Committee met at 10:09 o'clock a.m. this day, the Chairman, Mr. P. Reid, presiding.

ATTENDANCE: Members of the Committee present: Messrs. Bradley, Cunningham, Havrot, P. Reid, Mrs. Scrivener, Messrs. Wildman, Yakabuski.

Substitutions: Mr. Lane for Mr. Robinson; Mr. McLean for Mr. Harris; Mr. Conway for Mr. Sargent; Mr. Philip for Mr. Foulds.

Witnesses: From the Ministry of the Solicitor General: Mr. R. M. McLeod, Deputy Minister; Mr. D. Scott Campbell, Executive Director, Administration Division.

Mr. E. Gibson, Superintendent, Ontario Provincial Police Telecommunications Project.

Mr. W. D. Drinkwater, Director, Ontario Police College.

Mr. S. McGrath, Chairman, Ontario Police Commission.

In attendance: From the Office of the Provincial Auditor: Mr. D. Archer, Provincial Auditor; Mr. K. Leishman, Director, Reporting and Standards Branch.

Ms. E. Gardiner, Research Officer.

PROCEEDINGS: The Committee resumed hearing presentations.

The witnesses made statements and answered questions.

At 11:35 o'clock a.m. the Committee recessed until 2:10 o'clock p.m.

The Committee continued to hear presentations. The witnesses made statements and answered questions.

The following documents were filed with the Clerk of the Committee as Exhibits:

- | | |
|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Exhibit No. 9 | - Background Paper on Section 3.15 (Escalating Costs of Telecommunications Project, Ministry of the Solicitor General) of the Provincial Auditor's 1983 Report, prepared by the Committee's Research Officer. |
| Exhibit No. 10 | - Background Paper on Section 3.16 (Excessive Short Term Absences, Ministry of the Solicitor General) of the Auditor's 1983 Report, prepared by the Committee's Research Officer. |
| Exhibit No. 10A | - Remarks by the Deputy Solicitor General on Excessive Absences under the Short term Sickness Plan. |
| Exhibit No. 11 | - Background Paper on Section 3.17 (Poor Management and Control Practices, Ontario Police College, Ministry of the Solicitor General) of the Auditor's 1983 Report, prepared by the Committee's Research Officer. |

- 2 -

Exhibit No. 11A - Remarks by the Deputy Solicitor
General on the Ontario Police College.

ADJOURNMENT:

- At 3:30 o'clock p.m. the Committee adjourned until Tuesday,
March 6, 1984.



Franco Carrozza
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 4

TUESDAY, MARCH 6, 1984

ORDER: The Committee met at 10:05 o'clock a.m. this day, the Chairman, Mr. P. Reid, presiding.

ATTENDANCE: Members of the Committee present: Messrs. Bradley, Cunningham, Havrot, P. Reid, Robinson, Mrs. Scrivener, Messrs. Wildman, Yakabuski.

Substitutions: Mr. Conway for Mr. Sargent; Mr. Henderson for Mr. Kennedy; Mr. Foulds for Mr. Philip; Mr. Kells for Mr. Harris.

Member, not of the Committee, present: Mr. R. Allen.

Witnesses: From the Ministry of Northern Affairs: Mr. D. Hobbs, Deputy Minister; Mr. E. Belfry, Northern Community Project Leader, Regional and Community Development Branch; Mr. R. LeNeveu, formerly Executive Director with the Ministry, now Assistant Deputy Minister, Administration and Health Insurance, Ministry of Health.

From the Ministry of Tourism and Recreation: Mr. M.J. Baker, Assistant Deputy Minister - Tourism; Mr. G. C. McDonald, Executive Co-ordinator, Corporate Advertising and Special Projects Group; Ms. S.B. Sellen, Manager, Advertising Services and Agency of Record, Corporate Advertising and Special Projects Group.

From the Ministry of Treasury and Economics: Mr. D. S. McColl, Assistant Deputy Minister, Office of the Treasury; Mr. A. Nethery, Director, Financial Information and Accounting Policy Branch, Office of the Treasury.

In attendance: From the Office of the Provincial Auditor: Mr. J. Otterman, Assistant Provincial Auditor; Mr. K. Leishman, Director, Reporting and Standards Branch; Mr. S. R. Latchana, Audit Manager, Special Assignments and Management Control Audits.

Ms. E. Gardiner, Research Officer.

PROCEEDINGS: Before considering its regular business, the Committee disposed of its notices of motion.

The Chairman called Mr. Conway's motion.

Mr. Conway moved, - That the Provincial Auditor be directed to investigate and review the financial management and administrative systems of Algonquin College and to report to this committee regarding the efficiency, effectiveness and economy of such financial management and administrative systems.

After some debate, Mrs. Scrivener moved an amendment, which stated:

That the words "Provincial Auditor be directed to investigate and review" in the first line be removed and the following inserted in lieu thereof: "Deputy Minister of Colleges and Universities be called before the Public Accounts Committee to explain" and that the following words be added after "administrative systems" in the last line "and especially the reason for the overpayment of the \$2.2 million by the Ministry of Colleges and Universities to Algonquin College".

The Chairman said that he found the proposed amendment to be contrary to the motion and therefore out of order. However, he suggested that he would recognize Mrs. Scrivener's amendment as a new motion if she so wished.

After some debate, the question being put on the motion, it was lost.

- 2 -

As Mr. Philip was absent, the Chairman stated that in order to deal with his motion, the Committee could unanimously agree to its being put, in spite of his absence, but that it would not establish a precedent for the future.

The Committee unanimously agreed to deal with Mr. Philip's motion.

Mr. Philip's motion stated, - That as early as possible after the Legislature reconvenes this committee schedule a full public investigation into how \$260,518 in Algonquin College tuition fees were transferred to a private numbered company and into the reasons for the overpayment of \$2.2 million by the Ministry of Colleges and Universities to Algonquin College. Furthermore, that officials of Algonquin College be called before the committee to ascertain whether or not appropriate internal auditing and administration procedures are now in place to assure that future occurrences of a similar nature are not likely to be repeated.

The question being put on the motion, it was defeated.

The Chairman called on Mrs. Scrivener.

Mrs. Scrivener moved, - That the Deputy Minister of Colleges and Universities be called before the Public Accounts Committee to explain the financial management and administrative systems of Algonquin College and to report to the Committee concerning the efficiency, effectiveness and economy of such financial management and administrative systems and especially the reason for the overpayment of \$2.2 million by the Ministry of Colleges and Universities to Algonquin College as soon as possible when the House resumes.

The question being put on the motion it was agreed.

The Chairman called Mr. Bradley's motion.

Mr. Bradley moved, - That the Chairman of the Management Board, Mr. George McCague, be requested to attend the Committee to offer an explanation for apparent irregularities in the awarding of contracts under the Ministry of Industry and Trade, to Peter Barnard and Associates, and within the Ministry of Agriculture and Food, to Dorey and Crossley Communications.

It would appear, based on information tabled today, by Liberal Leader David Peterson, that we have discovered that contracts involving expenditures of more than \$150,000 in public funds were allocated without tender. In each case, it would appear that there has been a deliberate manipulation of the rules to contravene the provisions of the Manual of Administration.

After some debate, the question being put on the motion, it was defeated.

The Chairman called Mr. Cunningham's motion.

Mr. Cunningham moved, - That in view of an anticipated loss of more than \$250,000 by Metro Canada (a subsidiary of the U.T.D.C.) on the sale of four residential homes in Vancouver, the Auditor conduct a complete investigation into this matter and report back to the Committee.

After some debate, the question being put on the motion, it was defeated.

The Chairman called on Mr. Cunningham for his second motion.

- 3 -

Mr. Cunningham moved, - That the Public Accounts Committee call upon Mr. George McCague, the Chairman of Management Board of Cabinet, to appear before this Committee to explain the awarding of a \$42,600 payment to Decima Research Limited by the Ministry of Citizenship and Culture in apparent disregard of the tendering requirements of the Management Board of Cabinet Manual of Administration.

After some time, Mr. Foulds moved, - That the following words "and/or Ms. S. Fish, Minister of Citizenship and Culture" be added after the words "Management Board of Cabinet" in lines 2 and 3 and before the words "to appear before this Committee" in line 3.

After some debate, the question being put on the amendment, it was defeated.

The question being put on the motion, it was defeated.

The Chairman called upon Mr. Foulds.

Mr. Foulds moved, - That the Public Accounts Committee call upon Ms. S. Fish, Minister of Citizenship and Culture, to appear before this Committee to explain the awarding of a \$42,600 payment to Decima Research Ltd. by the Ministry of Citizenship and Culture in apparent disregard of the tendering requirements of the Management Board of Cabinet Manual of Administration.

After some debate, the question being put on the motion, it was defeated.

After completion of motions, the Committee resumed consideration of its order of business.

The witnesses made statements and answered questions.

At 12:50 o'clock p.m. the Committee recessed until 2:11 o'clock p.m.

The Committee resumed hearing presentations.

The witnesses made statements and answered questions.

The following documents were filed with the Clerk of the Committee as Exhibits:

- | | |
|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Exhibit No. 12 | - Letter from the Office of the Provincial Auditor re Ministry's response to Section 4.7 of the Auditor's 1983 Report. |
| Exhibit No. 13 | - Background Paper on Section 3.13 (Review of Hallmark Hornepayne Town Centre Project, Ministry of Northern Affairs) of the Auditor's 1983 Report, prepared by the Committee's Research Officer. |
| Exhibit No. 13A | - Material re Hornepayne Town Centre received from the Ministry of Northern Affairs. |
| Exhibit No. 14 | - Background Paper on Section 3.19 (Observations re Agency of Record and Government Advertising Expenditures, Ministry of Tourism and Recreation) of the Auditor's 1983 Report, prepared by the Committee's Research Officer. |

- 4 -

- Exhibit No. 14A - Statement by the Ministry of Tourism and Recreation on the Agency of Record.
- Exhibit No. 14B - Agency of Record Operations Manual 1983/84 received from the Ministry of Tourism and Recreation.

ADJOURNMENT:

At 4:07 o'clock p.m. the Committee adjourned until Wednesday, March 7, 1984.



Franco Carrozza
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 5

WEDNESDAY, MARCH 7, 1984

ORDER:

The Committee met at 10:10 o'clock a.m. this day, the Chairman, Mr. P. Reid, presiding.

ATTENDANCE:

Members of the Committee present: Messrs. Bradley, Cunningham, Havrot, P. Reid, Robinson, Mrs. Scrivener, Messrs. Wildman, Yakabuski.

Substitutions: Mr. Conway for Mr. Sargent; Mr. Foulds for Mr. Philip; Mr. Henderson for Mr. Kennedy; Mr. Kells for Mr. Harris.

Members, not of the Committee, present: Messrs. McGuigan, Riddell.

Witnesses: From the Ministry of Consumer and Commercial Relations: The Honourable Robert Elgie, M.P.P., Minister.

From the Liquor Control Board of Ontario: Mr. F. A. MacInnis, General Manager; Mr. D. H. Jackman, Senior Assistant General Manager and Comptroller; Mr. A. Schaeter, Assistant General Manager.

From the Ministry of Agriculture and Food: Dr. C. Switzer, Deputy Minister; Mr. H. Ediger, Executive Director, Foodland Preservation and Improvement Division; Mr. M. Huff, General Manager, Crop Insurance Commission; Mr. B. Boyce, Administrator, Livestock Financial Protection Board; Mr. J. Batt, Fund Administrator, Livestock Financial Production Board.

In attendance: From the Office of the Provincial Auditor: Mr. J. Otterman, Assistant Provincial Auditor; Mr. K. Leishman, Director, Reporting and Standards Branch.

Ms. E. Gardiner, Research Officer.

PROCEEDINGS:

The Committee continued to hear presentations.

The witnesses made statements and answered questions.

At 12:00 o'clock noon the Committee recessed until 2:11 o'clock p.m.

The Committee resumed hearing presentations.

The witnesses made statements and answered questions.

At 3:30 o'clock p.m. Mr. Havrot assumed the Chair until 3:37 o'clock p.m.

At 4:20 o'clock p.m. Mr. Havrot assumed the Chair until the Committee adjourned.

The following documents were filed with the Clerk of the Committee as Exhibits:

Exhibit No. 15 - Background Paper on Section 4.5 (Audit of Management Controls, Liquor Control Board of Ontario) of the Auditor's 1983 Report, prepared by the Committee's Research Officer.

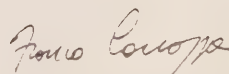
Exhibit No. 15A - Position Statement by the General Manager of the Liquor Control Board of Ontario.

- 2 -

- Exhibit No. 15B - 57th Report of the Liquor Control Board of Ontario.
- Exhibit No. 16 - Background Paper on Section 4.6 (Review of Computer Operations, Liquor Control Board of Ontario) of the Auditor's 1983 Report, prepared by the Committee's Research Officer.
- Exhibit No. 17 - Background Paper on Section 3.4 (Inadequate Planning re Ontario Farmstead Improvement Program, Ministry of Agriculture and Food) of the Auditor's 1983 Report, prepared by the Committee's Research Officer.
- Exhibit No. 17A - Response by the Ministry of Agriculture and Food to the Auditor's Observations re Inadequate Planning re Ontario Farmstead Improvement Program.
- Exhibit No. 18 - Background Paper on Section 4.4 (Inadequate Premium Levels resulting in Heavy Losses, The Crop Insurance Commission of Ontario) of the Auditor's 1983 Report, prepared by the Committee's Research Officer.
- Exhibit No. 18A - Ministry's response to Section 4.4. of the Auditor's 1983 Report.
- Exhibit No. 19 - Background Paper on Section 4.7 (Lack of Economy re Consulting Services, The Live Stock Financial Protection Board) of the Auditor's 1983 Report, prepared by the Committee's Research Officer.
- Exhibit No. 19A - Ministry's response to Section 4.7 of the Auditor's 1983 Report.

ADJOURNMENT:

At 5:02 o'clock p.m. the Committee adjourned until Thursday, March 8, 1984.



Franco Carrozza
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 6

THURSDAY, MARCH 8, 1984

ORDER: The Committee met at 10:07 o'clock a.m. this day, the Chairman, Mr. P. Reid, presiding.

ATTENDANCE: Members of the Committee present: Messrs. Bradley, Cunningham, Havrot, P. Reid, Robinson, Mrs. Scrivener, Messrs. Wildman, Yakabuski.

Substitutions: Mr. Conway for Mr. Sargent; Mr. Foulds for Mr. Philip; Mr. Henderson for Mr. Kennedy; Mr. Kells for Mr. Harris.

Member, not of the Committee, present: Mr. Kolyn.

Witnesses: From the Ministry of Labour: Mr. T. Armstrong, Deputy Minister; Mr. D. Pizar, Director, Construction Health and Safety Branch; Mr. A. Gladstone, Project Manager, Mr. I.S. Glasberg, Research Officer.

From the Ministry of Tourism and Recreation: Mr. M.J. Baker, Assistant Deputy Minister - Tourism; Mr. R. Secord, Assistant Deputy Minister - Recreation.

In attendance: From the Office of the Provincial Auditor: Mr. J. Otterman, Assistant Provincial Auditor; Mr. K. Leishman, Director, Reporting and Standards Branch.

Ms. E. Gardiner, Research Officer.

PROCEEDINGS: The Committee continued to hear presentations.

The witnesses made statements and answered questions.

At 11:50 o'clock a.m. the Committee recessed until 2:10 o'clock p.m.

The Committee resumed hearing presentations.

The witnesses made statements and answered questions.

At 3:20 o'clock p.m. Mr. Havrot assumed the Chair until 3:22 o'clock p.m.

At the end of the presentations, the Chairman allowed Mr. Cunningham to place a notice of motion, which stated:

Yesterday, Ontario Liberal Leader, David Peterson, released details of yet another abuse in the expenditures of public monies in Ontario. It is apparent that the Ministry of Agriculture and Food have retained outside consultants to evaluate food processing companies receiving B.I.L.D. grants. The Company of Peter Barnard Associates advised the Ministry from 1980 to 1983-84.

The Ministry cannot furnish final figures for the contract costs to date of Barnard Associates, but for the two year period 1981-82 and 1982-83 they received \$188,755.

What makes investigation of such matters more complex is that the Ministry has been unable to find a copy of the contract which they have renewed each year, although we have asked for the contracts numerous times over the last three weeks.

While the then Minister, Lorne Henderson, had the initial contract in fiscal year 1980-81 tendered, he and his successor,

- 2 -

Mr. Timbrell, have permitted the contract to be renewed as a purchase order, in successive years without tender or special exemption, in direct contravention of various sections of the Manual of Administration.

According to the letter from the Ministry, "the Ministry's intent vis-a-vis timing (the original contract) was for as long as the Ministry required the consultant's services".

Under the Manual (50.4, Section 10), Ministries shall not permit suppliers "to gain a monopoly for a particular kind of work by retaining expertise or know-how developed at government expense, and thus become the sole source of such services in future". According to the Manual, specific assignments shall not exceed three years without Management Board approval.

This arrangement would appear to violate that section of the Manual of Administration which prohibits Ministries from allowing "suppliers to develop a privileged relationship...as a result of an indefinitely continuing assignment".

Under Section 50.4.12 of the Manual, a competitive selection is to be used "if the assignment is complex; or the fees...vary among suppliers", the Deputy Minister may only authorize a non-competitive selection procedure for reason of urgency, and this must be done in writing, prior to each assignment.

In view of this very serious apparent breach of the Manual of Administration, I move that we request the attendance of the Honourable Dennis Timbrell, Minister of Agriculture and Food, to explain how and why these contracts were issued.

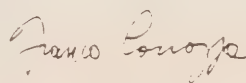
For a brief while afterwards, statements were made.

The following documents were filed with the Clerk of the Committee as Exhibits:

- Exhibit No. 20 - Background Paper on Section 3.12 (Potential for Operations Improvements, Construction Health and Safety Branch, Ministry of Labour) of the Auditor's 1983 Report, prepared by the Committee's Research Officer.
- Exhibit No. 20A - Systems and A.D.P. Reports received from the Ministry of Labour.
- Exhibit No. 21 - Background Paper on Section 3.18 (Detailed Audit of Operations, Ministry of Tourism and Recreation) of the Auditor's 1983 Report, prepared by the Committee's Research Officer.
- Exhibit No. 22 - Responses received from various Ministries regarding the Committee's 1983 Report.

ADJOURNMENT:

At 4:00 o'clock p.m. the Committee adjourned until further notice.


Franco Carrozza
Clerk of the Committee

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 7

THURSDAY, MARCH 29, 1984

ORDER: The Committee met at 10:15 o'clock a.m. this day, the Chairman, Mr. P. Reid, presiding.

ATTENDANCE: Members of the Committee present: Messrs. Bradley, Havrot, Kennedy, P. Reid, Sargent, Mrs. Scrivener, Mr. Wildman.

Substitutions: Mr. Eves for Mr. Robinson; Mr. Kolyn for Mr. Harris; Mr. J. Taylor for Mr. Yakabuski.

Members, not of the Committee, present: Mr. Van Horne.

In attendance: From the Office of the Provincial Auditor: Mr. K. Leishman, Director, Reporting and Standards Branch.

Ms. E. Gardiner, Research Officer.

PROCEEDINGS: The Chairman opened the meeting by suggesting to the Committee that it would be useful to have a complete agenda drawn up for the coming Session. With this in mind, the Members of the Committee proceeded to discuss several issues.

After some time, the Chairman called upon the representative of the Office of the Provincial Auditor to give an update on their report on Ontario Hydro.

He stated that the target date for the completion of the report was Thursday, May 31, 1984.

After further debate, the Committee agreed to review the Provincial Auditor's report on Ontario Hydro on September 18, 19, 20, 21 and September 25, 26, 27 and, if necessary, September 28, 1984.

The Committee agreed to discuss further the matter of Crown Corporations. Travel to England to review the new Audit Act, Crown Corporations and the Public Accounts Committee in England was also discussed. Tentative dates for the trip were suggested:

September 28 or 29 for travelling and October 1 to 5 for meetings.

The Committee discussed the matter of the PAC Conference in Charlottetown, P.E.I. The dates involved are: July 8 to 11, 1984. The Members of the Committee agreed that they should attend but no decision was made as to which Members or how many should go.

The Committee agreed to review the Algonquin College Report by the Deputy Minister of Education on Thursday, April 26, 1984.

The Committee agreed to review Section 4.10 of the Provincial Auditor's 1983 Report, on the Ontario Waste Management Corporation on Thursday, April 5, 1984.

The Committee agreed to review Sections 3.5, 3.9, 3.11, 4.11, 4.12, 5.4 of the Provincial Auditor's 1983 Report and to hold in reserve for further discussion Section 3.10 and the process by which the Provincial Auditor's Report is done. It was also agreed that motions by Mr. Cunningham and Mr. Philip (on Mr. Gordon) would be discussed at a later date.

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100	

11

Abstract

Table 1

Author's address: Department of Psychology,
University of Illinois at Chicago, Chicago, IL
60607-7181, USA.
E-mail: jay@uic.edu

Franco Carrozza
Clerk of the Committee

Franco Carrozza
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 8

THURSDAY, APRIL 5, 1984

ORDER:

The Committee met at 10:07 o'clock a.m. this day, the Chairman, Mr. P. Reid, presiding.

ATTENDANCE:

Members of the Committee present: Messrs. Bradley, Cunningham, Eves, Kennedy, Kolyn, P. Reid, J. Taylor, Wildman.

Substitutions: Mr. McLean for Mrs. Scrivener; Mr. Yakabuski for Mr. Havrot.

Members, not of the Committee, present: Mr. Harris.

Witnesses: From the Ontario Waste Management Corporation: Dr. D. Chant, President and Chairman; Mr. V.H. Polk, Vice-Chairman, Chief Engineer, Stelco Company (Hamilton).

In attendance: From the Office of the Provincial Auditor: Mr. D. Archer, Provincial Auditor; Mr. K. Leishman, Director, Reporting and Standards Branch.

Ms. E. Gardiner, Research Officer.

PROCEEDINGS:

The Committee considered Section 4.10 of the Provincial Auditor's 1983 Report, on Irregularities re Engagement of Consultants and other Matters, Ontario Waste Management Corporation.

The witnesses made statements and answered questions.

Before adjournment, the Chairman informed the Committee that there were other matters to be dealt with.

He advised the Members of the Committee that because of the departure of Mr. Harris, a new Vice-Chairman was needed.

Mr. Kolyn moved, - That Mr. Eves be elected Vice-Chairman.

The Committee agreed.

The Chairman called upon Mr. Cunningham to put his motion.

Mr. Cunningham moved, - *That yesterday, Ontario Liberal Leader, David Peterson, released details of yet another abuse in the expenditures of public monies in Ontario. It is apparent that the Ministry of Agriculture and Food have retained outside consultants to evaluate food processing companies receiving B.I.L.D. grants. The Company of Peter Barnard Associates advised the Ministry from 1980 to 1983-84.*

The Ministry cannot furnish final figures for the contract costs to date of Barnard Associates, but for the two year period 1981-82 and 1982-83 they received \$188,755.

What makes investigation of such matters more complex is that the Ministry has been unable to find a copy of the contract which they have renewed each year, although we have asked for the contracts numerous times over the last three weeks.

While the then Minister, Lorne Henderson, had the initial contract in fiscal year 1980-81 tendered, he and his successor, Mr. Timbrell, have permitted the contract to be renewed as a purchase order, in successive years without tender or special exemption, in direct contravention of various sections of the Manual of Administration.

- 2 -

According to the letter from the Ministry, "the Ministry's intent vis-a-vis timing (the original contract) was for as long as the Ministry required the consultant's services".

Under the Manual (50.4, Section 10), Ministries shall not permit suppliers "to gain a monopoly for a particular kind of work by retaining expertise or know-how developed at government expense, and thus become the sole source of such services in future". According to the Manual, specific assignments shall not exceed three years without Management Board approval.

This arrangement would appear to violate that section of the Manual of Administration which prohibits Ministries from allowing "suppliers to develop a privileged relationship...as a result of an indefinitely continuing assignment".

Under Section 50.4.12 of the Manual, a competitive selection is to be used "if the assignment is complex; or the fees...vary among suppliers", the Deputy Minister may only authorize a non-competitive selection procedure for reason of urgency, and this must be done in writing, prior to each assignment.

In view of this very serious apparent breach of the Manual of Administration, I move that we request the attendance of the Honourable Dennis Timbrell, Minister of Agriculture and Food, to explain how and why these contracts were issued.

After some debate, Mr. Cunningham withdrew his motion and proposed a new one.

Mr. Cunningham moved, - That the Committee request the Minister of Agriculture and Food or the Deputy Minister to appear before the Committee to explain the Peter Barnard Associates contracts.

After some debate, the question being put on the motion, it carried:
Ayes - 7; Nays - 1.

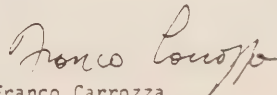
The Chairman informed the Members of the Committee that at the next meeting he would be able to give them more information on the PAC Conference in Charlottetown, P.E.I.

The following documents were filed with the Clerk of the Committee as Exhibits:

- Exhibit No. 24 - Background Paper on Section 4.10 of the Provincial Auditor's 1983 Report on Irregularities re Engagement of Consultants and other matters, Ontario Waste Management Corporation.
- Exhibit No. 9A - Response re O.P.P. Radio Transmission System from the Ministry of the Solicitor General.
- Exhibit No. 10B - Response re Excessive Short Term Absences, O.P.P., from the Ministry of the Solicitor General.

ADJOURNMENT:

At 11:45 o'clock a.m. the Committee adjourned until Thursday, April 12, 1984.


Franco Carrozza
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 9

THURSDAY, APRIL 12, 1984

ORDER: The Committee met at 10:10 o'clock a.m. this day, the Chairman, Mr. P. Reid, presiding.

ATTENDANCE: Members of the Committee present: Messrs. Cunningham, Eves, Havrot, Kennedy, Kolyn, Philip, P. Reid, Sargent, Mrs. Scrivener, Messrs. J. Taylor, Wildman.

Witnesses: From the Ministry of Community and Social Services: Mr. R. M. McDonald, Deputy Minister; Ms. M.M. Noble, Executive Director, Finance, Finance and Administration Division.

In attendance: From the Office of the Provincial Auditor: Mr. D. Archer, Provincial Auditor; Mr. K. Leishman, Director, Reporting and Standards Branch.

Ms. E. Gardiner, Research Officer.

PROCEEDINGS: The Committee considered Section 3.5 of the Provincial Auditor's 1983 Report on Inadequate Monitoring and Reporting Procedures re Provincial Allowances and Benefits, Ministry of Community and Social Services.

The witnesses made statements and answered questions.

Having completed its regular business, the Chairman informed the Committee that he had other business.

The Committee agreed to have the Ministry of Agriculture and Food appear before the Committee on Thursday, May 3, 1984, after the Ministry of Government Services.

The Committee agreed to have Mr. Philip withdraw his motion regarding the Alan Gordon matter.

The Committee agreed to include in its agenda of reviews Section 3.8 of the Provincial Auditor's 1983 Report, on Operating and Other Deficiencies, Environment Control Program, Ministry of the Environment.

Mr. Cunningham gave notice of three motions.

Motion #1: Last month, certain matters relating to the expenditure of public monies by the Ontario Government were released by the Official Opposition.

It appears that these expenditures may be in violation of certain provisions of the Ontario Manual of Administration.

My first motion relates to the awarding of an untendered contract by the Ministry of Tourism and Recreation to a company for the production of 500,000 bookmarks. This contract also apparently did not go to Management Board for exemption.

This would appear to be in violation of the provisions and guidelines of the Ontario Manual of Administration relating to the acquisition of Creative Communications Services.

In view of the fact that the Chairman of Management Board, the Honourable George McCague, has indicated on several occasions that it is the minister and the deputy minister who are responsible for enforcing the Manual, I move that we respectfully request the attendance of the Honourable Reuben Baetz, Minister of Tourism and Recreation, his Deputy and any other official of his Ministry that the Minister may wish to bring, to come before this

- 2 -

Committee to explain the details of this contract.

Mr. Cunningham's second motion:

My second motion relates to the awarding of two contracts by the Ministry of Education/Colleges and Universities to two firms, namely Sheriff and Associates and A. Tobias Associates.

The awarding of these contracts without tenders, appears to be in violation of certain provisions and guidelines relating to the purchase of Technical Consulting Services in the Ontario Manual of Administration.

Once again I refer to the fact that Mr. McCague feels the Minister and the Deputy Minister are responsible for enforcement of rules laid down in the Manual.

I therefore move that we respectfully request the attendance of the Honourable Bette Stephenson, Minister of Education and Colleges and Universities, and her Deputy along with any other official of her Ministry that the Minister may wish to bring, to come before this Committee to explain the details of these contracts.

Mr. Cunningham's third motion:

My third motion relates to the payment procedures followed by the Ministry of Labour to appointees of the Ontario Manpower Commission and the Ontario Advisory Council on Occupational Health and Occupational Safety.

Members of the Committee will recall that last week, in response to a question raised by the Member for Rainy River, the Minister of Labour, the Honourable Russell Ramsay, tabled a report of his Ministry's Internal and Management Audit Branch.

This internal audit report notes that for some time no specific dates were being recorded by the Ministry when making per diem payments to Members of the Ontario Manpower Commission.

The audit also notes that, and I quote:

"In some instances the informality of records maintained by Advisory Council on Occupational Health and Occupational Safety administrative personnel, which indicate dates and hours of involvement in respect to services rendered for formal business of the Council other than regular Council meetings, makes it somewhat difficult to establish a clear audit trail".

"Per diem claims for A.C.O.H.O.S. are not always verified with the appointees, and in no case do the appointees verify, by signature, the accuracy of the statements submitted for payment".

It also appears that claims for two per diem payments for one day were being submitted and paid, contrary to the guidelines of the Ontario Manual of Administration relating to per diem payments.

I wish to emphasize that my motion is not meant to reflect in any way on the integrity of any individual employed by the Ministry of Labour. Rather, the intent of my motion is to clarify the accounting procedures that are in place within the Ministry, bearing in mind that there are a total of some 30 individuals paid in the same manner that the Ministry's own internal auditor finds unacceptable.

- 3 -

In view of the auditor's concerns, which I am sure all members would find somewhat disturbing, I move that we respectfully request the attendance of the Honourable Russell Ramsay, his deputy, and any other official of his Ministry that the Minister may wish to bring, to come before this Committee to explain the findings and recommendations of his Ministry's internal audit, relating to per diem payments.

The following documents were filed with the Clerk of the Committee as Exhibits:

Exhibit No. 25 - Background Paper on Section 3.5 of the Provincial Auditor's 1983 Report, on Inadequate Monitoring and Reporting Procedures re Provincial Allowances and Benefits, Ministry of Community and Social Services.

ADJOURNMENT:

At 11:50 o'clock a.m. the Committee adjourned until Thursday, April 26, 1984.



Franco Carrozza
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 10

THURSDAY, APRIL 26, 1984

ORDER: The Committee met at 10:05 o'clock a.m. this day, the Chairman, Mr. P. Reid, presiding.

ATTENDANCE: Members of the Committee present: Messrs. Bradley, Cunningham, Eves, Havrot, Kennedy, Kolyn, Mrs. Scrivener.

Substitutions: Mr. Allen for Mr. Wildman; Mr. Cassidy for Mr. Philip; Mr. Conway for Mr. Sargent; Mr. Kells for Mr. J. Taylor.

Witnesses: From the Ministry of Education and Colleges and Universities

Dr. H.K. Fisher, Deputy Minister; Mr. J. A. Humber, Acting Assistant Deputy Minister, Skills Development Division; Mr. R.M. Myron, Acting Director, College Affairs Branch.

From the Ontario Council of Regents for Colleges of Applied Arts and Technology: Mr. N. E. Williams, Chairman.

From Algonquin College of Applied Arts and Technology:
Mr. P. Bajaj, Acting Vice-President, Finance and Administration;
Mr. P. Killeen, President.

In attendance: From the Office of the Provincial Auditor:
Mr. D. Archer, Provincial Auditor; Mr. K. Leishman, Director,
Reporting and Standards Branch.

Ms. E. Gardiner, Research Officer.

PROCEEDINGS: The Committee commenced its review of the Report of the Deputy Minister of Education and Colleges and Universities with regard to Algonquin College.

The Chairman made a statement:

"I have suggested, in co-operation with Dr. Fisher, that any names pertaining to these investigations be deleted from the report this morning. I would hope we will not delve too deeply into any matters that might prejudice the reputation or the legal privileges of anyone who might be involved in this matter.

It is my understanding that Committee Members are protected by parliamentary privilege, as well as witnesses appearing before the Committee. However, that matter has never been tested in the courts, to my knowledge."

It was agreed.

The witness made a statement and answered questions.

After some time, the Chairman requested that, because of the lateness of the first presentation, the notices of motion be rescheduled for next week.

It was agreed.

The Chairman acknowledged the request of the Committee to allow any Member to attend the Canadian Council of Public Accounts Committees Conference in Charlottetown, P.E.I. and reminded the Members of the lack of accommodation for a large group.

- 2 -

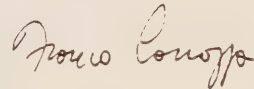
The Chairman informed the Members that they would deal with the timing for the Ontario Hydro issue at next week's meeting.

The following documents were filed with the Clerk of the Committee as Exhibits:

- Exhibit No. 26 - Second Report of the Standing Committee on Public Accounts of the House of Commons on the Public Accounts of Canada.
- Exhibit No. 1C - Response from the Assistant Secretary of the Management Board of Cabinet concerning transfer of funds from "Statutory" to "Voted" appropriations.
- Exhibit No. 27 - Memorandum from the Committee's Research Officer on the Algonquin College review.
- Exhibit No. 27A - Background Material on the Algonquin College review, prepared by the Committee's Research Officer.
- Exhibit No. 27B - Statement by the Deputy Minister of Education and Colleges and Universities on Algonquin College.
- Exhibit No. 27C - Background material on the Algonquin College review, submitted by the Ministry.
- Exhibit No. 28 - A report on Crown Corporations in Selected Canadian Provinces, submitted by the Management Board Secretariat.
- Exhibit No. 29 - A report on Government of Ontario Agencies by function and schedule, submitted by the Management Board Secretariat.

ADJOURNMENT:

At 12:35 o'clock p.m. the Committee adjourned until Thursday, May 3, 1984.



Franco Carrozza
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 11

THURSDAY, MAY 3, 1984

ORDER:

The Committee met at 10:08 o'clock a.m. this day, the Chairman, Mr. P. Reid, presiding.

ATTENDANCE:

Members of the Committee present: Messrs.: Bradley, Cunningham, Eves, Havrot, Kennedy, Kolyn, P. Reid, Philip, J. Taylor, Sargent, Mrs. Scrivener.

Substitutions: Mr. R. Allen for Mr. B. Wildman.

Members not of the Committee present: Messrs.: Cassidy, Conway, Wildman.

Witnesses: From the Ministry of Government Services: Mr. G.R. Thompson, Deputy Minister; Mr. L. Pencak, Assistant Deputy Minister, Accommodation; Mr. J. Silver, Executive Director, Finance Administration, Service Division.

From the Ministry of Agriculture and Food: Dr. C. Switzer, Deputy Minister; Mr. W.V. Doyle, Assistant Deputy Minister, Marketing and Development; Mr. R. Sewell, Assistant Deputy Minister, Finance and Policy; Mr. B.J. Slemko, Director, Food Processing Branch.

In attendance: From the Office of the Provincial Auditor: Mr. D. Archer, Provincial Auditor; Mr. K. Leishman, Director, Reporting and Standards Branch.

Ms. E. Gardiner, Research Officer.

PROCEEDINGS:

The Chairman proceeded with Notice of Motion.

Mr. Cunningham moved:

Last month, certain matters relating to the expenditure of public monies by the Ontario Government were released by the Official Opposition.

It appears that these expenditures may be in violation of certain provisions of the Ontario Manual of Administration.

My first motion relates to the awarding of an untendered contract by the Ministry of Tourism and Recreation to a company for the production of 500,000 bookmarks. This contract also apparently did not go to Management Board for exemption.

This would appear to be in violation of the provisions and guidelines of the Ontario Manual of Administration relating to the acquisition of Creative Communications Services.

In view of the fact that the Chairman of Management Board, the Honourable George McCague, has indicated on several occasions that it is the minister and deputy minister who are responsible for enforcing the Manual, I move that we respectfully request the attendance of the Honourable Rueben Baetz, Minister of Tourism and Recreation, his Deputy and any other official of his Ministry that the Minister may wish to bring, to come before this Committee to explain the details of this contract.

- 2 -

After some debate.

The question put to the motion was defeated.

The Chairman called the second item.

Mr. Cunningham moved that:

My second motion relates to the awarding of two contracts by the Ministry of Education/Colleges and Universities to two firms, namely Sheriff and Associates and A. Tobias Associates.

The awarding of these contracts without tenders, appears to be in violation of certain provisions and guidelines relating to the purchase of Technical Consulting Services in the Ontario Manual of Administration.

Once again I refer to the fact that Mr. McCague feels the Minister and the Deputy Minister are responsible for enforcement of rules laid down in the Manual.

I therefore move that we respectfully request the attendance of the Honourable Bette Stephenson, Minister of Education, Colleges and Universities and her Deputy along with any other official of her Ministry that the Minister may wish to bring, to come before this Committee to explain the details of these contracts.

After some debate.

The question being put on the motion was defeated.

The Chairman called for the third item

Mr. Cunningham moved that:

My third motion relates to the payment procedures followed by the Ministry of Labour to appointees of the Ontario Manpower Commission and the Ontario Advisory Council on Occupational Health and Occupational Safety.

Members of the Committee will recall that last week, in response to a question raised by the Member for Rainy River, the Minister of Labour, the Honourable Russell Ramsay, tabled a report of his Ministry's Internal and Management Audit Branch.

This internal audit report notes that for some time no specific dates were being recorded by the Ministry when making per diem payments to Members of the Ontario Manpower Commission.

The audit also notes that, and I quote:

"In some instances the informality of records maintained by Advisory Council on Occupational Health and Occupational Safety administrative personnel, which indicate dates and hours of involvement in respect to services rendered for formal business of the Council other than regular Council meetings, make it somewhat difficult to establish a clear audit trail."

"per diem claims for A.C.O.H.O.S. are not always verified with the appointees, and in no case do the appointees verify, by signature, the accuracy of the statements submitted for payment."

- 3 -

It also appears that claims for two per diem payments for one day were being submitted and paid, contrary to the guidelines of the Ontario Manual of Administration relating to per diem payments.

I wish to emphasize that my motion is not meant to reflect in any way on the integrity of any individual employed by the Ministry of Labour. Rather, the intent of my motion is to clarify the accounting procedures that are in place within the Ministry, bearing in mind that there are a total of some 30 individuals paid in the same manner that the Ministry's own internal auditor finds unacceptable.

In view of the auditor's concerns, which I am sure all members would find somewhat disturbing, I move that we respectfully request the attendance of the Honourable Russell Ramsay, his deputy, and any other official of his Ministry that the Minister may wish to bring, to come before this Committee to explain the findings and recommendations of his Ministry's internal audit, relating to per diem payments.

After some debate.

The question put to the motion was defeated.

The Chairman called the representative of the Office of the Provincial Auditor for an update on the Hydro Report.

The representative of the Provincial Auditor, requested from the Committee, clarification on a matter and asked whether the Committee wanted the report and a reply from Ontario Hydro at the same time.

After some debate.

The Committee agreed to have both the Provincial Auditor's report and the Ontario Hydro reply together made public as soon as possible. (Early July).

The Committee commenced consideration of Section 3.9, Lack of Economy and Efficiency re: Provision of Accommodation, Ministry of Government Services.

The witness made a statement and answered questions after some debate.

The Committee reviewed its motion of April 5, 1984, relating to the contracts of Peter Barnard Associates with the Ministry of Agriculture and Food.

The witness made a statement and answered questions.

After some debate.

The Committee agreed to review Section 3.10, Accountability Process re: Operating Grants to Hospitals, Ministry of Health, on Thursday, May 10, 1984.

Also.

The Committee agreed to review Section 3.8 - Operating and Other Deficiencies, Environmental Control Program, Ministry of Environment, on Thursday, May 17, 1984.

Later.

- 4 -

Mr. Kolyn moved that the Committee travel to London, England for meetings scheduled from October 1 to 5, 1984.

Carried.

The Chairman accepted a notice of motion from Mr. Bradley.

Mr. Bradley's notice of motion.

Mr. Bradley moves:

That the Public Accounts Committee inquire into the awarding of a contract by the Ministry of the Solicitor General to Grew Boats of Penetanguishene for two police boats for the Ontario Provincial Police.

Mr. E. Philip's notice of motion:

Whereas there is a discrepancy between the information provided to the Legislature by Doug Wiseman, M.P.P. Lanark and that of the Solicitor General of Ontario George Taylor, concerning the fact that Grew Boats of Penetanguishene was awarded a contract for two boats to be used by the OPP even though Mason Boats of Smith Falls supplied a lower tender.

Whereas part of the rationale given was that it is easier for OPP officials to travel to Penetanguishene than to Smith Falls thus implying that the Ministry of the Solicitor General would give an advantage in tendering to companies closer to Toronto than those existing in other locations of Ontario. Whereas the provision of this advantage is not provided for in the Manual of Administration.

I move that the Public Accounts call before it the Deputy Minister of the Solicitor General and request prior to meeting with him all documents related to the matter and that the committee schedule this matter before the summer recess.

Mr. Cunningham's notice of motion.

Motion to be Moved by Mr. Cunningham:

That notwithstanding the appearance by Dr. Harry Fisher, Deputy Minister of Colleges and Universities before the Public Accounts Committee on Thursday, April 26, 1984, the Provincial Auditor be directed to investigate and review the financial management and administrative systems of Algonquin College and to report to this committee regarding the efficiency, effectiveness and economy of such financial management and administrative systems.

The following documents were filed with the Clerk of the Committee as Exhibits:

- | | |
|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Exhibit No. 20B | - A letter to Mr. T.P. Reid, M.P.P., from Mr. T.E. Armstrong, Deputy Minister of Labour re: the March 8, 1984 appearance before the Committee by representatives of the Ministry of Labour. Dated April 11, 1984. |
| Exhibit No. 30 | - The Provincial Auditor's 1983 Report, Section 3.9: Lack of Economy and Efficiency re: Provision of Accommodation, Ministry of Government Services, prepared by Elizabeth Gardiner, Research Officer, Legislative Research Service. Dated April, 1984 |
| Exhibit No. 31 | - Memorandum (together with a newspaper article and sections from the Manual of Administration) from Elizabeth Gardiner, Research Officer, Legislative Research Service, to the Chairman and Members of the Standing Committee on Public Accounts re: Ministry of Agriculture and Food contract to |

- 5 -

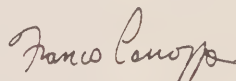
Peter Barnard Associates. Dated April 30, 1984.

Exhibit No. 32 - A letter to Mr. Franco Carrozza, from Mr. Glenn R. Thompson, Deputy Minister, Ministry of Government Services, re: comments and observations on the 1983 report of the Committee. Dated May 2, 1984.

ADJOURNMENT:

After some time.

At 12:23 o'clock p.m. the Committee adjourned until Thursday, May 10, 1984.



Franco Carrozza
Clerk of the Committee

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NO. 12

THURSDAY 10 MAY 1984

ORDER: The Committee met at 10:05 o'clock a.m. this day, the Acting Chairman Mr. E. Cunningham, presiding.

ATTENDANCE: Members of the Committee present: Messrs. Cunningham, Havrot, Kennedy, Kolyn, Philip, J. Taylor, Sargent, Mrs. Scrivener.

Substitutions: Mr. R. Allen for Mr. B. Wildman; Mr. M. Elston for Mr. J. Bradley; Mr. Stevenson for Mr. Eves; Mr. Wrye for Mr. P. Reid.

Members, not of the Committee present: Mr. J. Riddell.

Witnesses: From the Ministry of Health: Mr. G.J.M. Raymond, Deputy Minister; Dr. A.E. Dyer, Associate Deputy Minister; Mr. R. LeNeveu, Assistant Deputy Minister, Administration and Health Insurance; Mr. R.H. Reid, Executive Director, Institutional Division.

In Attendance: From the Office of the Provincial Auditor: Mr. J. Otterman, Assistant Provincial Auditor; Mr. K. Leishman, Director, Reporting and Standards Branch.

Ms. E. Gardiner, Research Officer.

PROCEEDINGS: Before proceeding with the regular order of business, the Acting Chairman, requested the Committee to proceed to approve a certain Administrative and Budgetary Motion.

After some debate.

Mr. Kolyn moved - that the Committee be allowed to travel to Charlottetown, Prince Edward Island, during July 8 to 11, for meetings with the Conference of Public Accounts Committees

Carried.

A second motion was proposed by the Acting Chairman.

Mr. Philip moved that the Committee meet from September 18 to 21, inclusive, and if necessary, September 25 to 28, 1984 inclusive, to review the Provincial Auditor's report on Ontario Hydro.

Carried.

The Acting Chairman requested that the Notice of Motion standing in his name be delayed until next week. The committee agreed.

The Chairman proceeded to call the first item of business.

Mr. Bradley was not present.

Mr. Elston moved:

That the Public Accounts Committee inquire into the awarding of a contract by the Ministry of the Solicitor General to Grew Boats of Penetanguishene for two police boats for the Ontario Provincial Police.

After some debate.

The question put to the motion was defeated.

- 2 -

The Acting Chairman called the second notice of motion.

Mr. Philip moved:

Whereas there is a discrepancy between the information provided to the Legislature by Doug Wisemen, MPP Lanark and that of the Solicitor General of Ontario George Taylor, concerning the fact that Grew Boats of Penetanguishene was awarded a contract for two boats to be used by the OPP even though Mason Boats of Smith Falls supplied a lower tender.

Whereas part of the rationale given was that it is easier for OPP officials to travel to Penetanguishene than to Smith Falls thus implying that the Ministry of the Solicitor General would give an advantage in tendering to companies closer to Toronto than those existing in other locations of Ontario. Whereas the provision of this advantage is not provided for in the Manual of Administration.

I move that the Public Accounts call before it the Deputy Minister of the Solicitor General and request prior to meeting with him all documents related to the matter and that the committee schedule this matter before the summer recess.

After some debate the question put to the motion was defeated on the following division:

AYES:

Messrs:

Allen	Elston	
Philip	Wrye	
	Sargent	-5

NAYS:

Messrs:

Kennedy	Hayrot	
Kolyn	Stevenson	
Scrivener	J. Taylor	-6

After some time.

The Committee reviewed Section 3.10 - Accountability Process re: Operating Grants to Hospitals, Ministry of Health.

The witnesses made statements and answered questions.

After some time.

The Committee reviewed Section 3.11 - Strengthened Collection Procedures Needed re: OHIP Group Billings, Ministry of Health.

The witnesses made statements and answered questions.

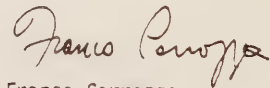
- 3 -

The following documents were filed with the Clerk of the Committee as Exhibits:

- | | |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Exhibit No. 33 | - Background Paper on Section 3.10 (Accountability Process re: Operating Grants to Hospitals, Ministry of Health) of the Provincial Auditor's 1983 Report prepared by the Committee's Research Officer. Dated May, 1984. |
| Exhibit No. 34 | - Background Paper on Section 3.11 (Strengthened Collection Procedures Needed re: OHIP Group Billings, Ministry of Health) of the Provincial Auditor's 1983 Report, prepared by the Committee's Research Officer. Dated May, 1984. |
| Exhibit No. 35 | - Report entitled, "Institutional Operations Branch Hospital Performance Measurement", prepared by Malcolm Walker, Director, Institutional Operations Branch, Ministry of Health. Dated February, 1984. |
| Exhibit No. 36 | - Ministry of Health chart entitled, Group Account Premium Revenues. |

ADJOURNMENT:

At 12:16 o'clock p.m. the Committee adjourned until Thursday, May 17, 1984.



Franco Carrozza
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 13

THURSDAY, 17 MAY 1984

ORDER: The Committee met at 10:10 o'clock a.m., this day, the Chairman Mr. P. Reid, presiding.

ATTENDANCE: Members of the Committee present: Messrs. Bradley, Cunningham, Eves, Havrot, Kennedy, Kolyn, P. Reid, Philip, Mrs. Scrivener.

Substitutions: Mr. R. Allen for Mr. B. Wildman; Mr. R. McNeil for Mr. J. Taylor.

Members not of the Committee present: Messrs. Cassidy, Wildman.

Witnesses: From the Ministry of Transportation and Communications: Mr. H.F. Gilbert, Deputy Minister; Mr. A.D. Lennox, Financial Controller; Mrs. D. Palozzi, Director, Licensing and Control; Mr. H. Kivi, Executive Director, Transportation Regulations and Operations Branch.

From the Ministry of the Environment: Mr. B.A. Smith, Deputy Minister; Mr. G. Higham, Executive Director, Finance and Administration; Mr. C. Mialkowski, Director, Capital Finance and Revenue Branch.

In Attendance: From the Office of the Provincial Auditor: Mr. A. Archer, Provincial Auditor; Mr. K. Leishman, Director, Reporting and Standards Branch.

Ms. E. Gardiner, Research Officer.

PROCEEDINGS: The Committee proceeded to review the 1983 Provincial Auditor's Report, Section 3.20 - Deficiencies re: Vehicle Licensing and Registration, Ministry of Transportation and Communications.

The witnesses made statements and answered questions.

After some time.

The Committee reviewed the 1983 Provincial Auditor's Report, Section 3.8 - Operating and Other Deficiencies, Environmental Control Program, Ministry of the Environment.

After some time.

Having completed the regular business, the Chairman called for a motion for the adoption of the Budget for the Fiscal Year of 1984-1985.

Mr. Cunningham moved - That the 1984-1985 Budget of the Committee in the amount of \$92,771.40 be approved and that the Chairman present the Budget to the Board of Internal Economy

Carried.

After some time.

Mrs. Scrivener requested that the Committee recess for a short while.

It was agreed. The Committee recessed from 11:30 o'clock a.m. to 11:40 o'clock a.m.

The Chairman called Mr. Cunningham's notice of motion.

Mr. Cunningham moved :

- 2 -

That notwithstanding the appearance by Dr. Harry Fisher, Deputy Minister of Colleges and Universities before the Public Accounts Committee on Thursday, April 26, 1984, the Provincial Auditor be directed to investigate and review the financial management and administrative systems of Algonquin College and to report to this committee regarding the efficiency, effectiveness and economy of such financial management and administrative systems.

After some debate.

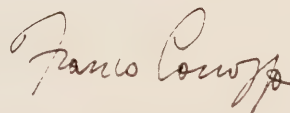
The question put to the motion was carried.

The following Exhibits were filed with the Clerk of the Committee:

- Exhibit No. 37 - Ministry of Transportation and Communications.
Statement to the Committee by the Deputy Minister,
Mr. H.F. Gilbert.
- Exhibit No. 38 - Letter to the Committee by Mr. B.A. Smith, Deputy
Minister of the Ministry of the Environment.
- Exhibit No. 39 - Research paper prepared by Ms. E. Gardiner,
Research Officer of the Committee, on the 1983
Provincial Auditor's Report, Section 3.20 -
Deficiencies re: Vehicle Licensing and
Registration, Ministry of Transportation and
Communications.
- Exhibit No. 40 - Research paper prepared for the Committee by Ms. E.
Gardiner, Research Officer, on , the 1983
Provincial Auditor's Report, Section 3.8:
Operating and Other Deficiencies, Environmental
Control Program, Ministry of the Environment.

ADJOURNMENT:

At 11:45 o'clock a.m. the Committee adjourned until Thursday, 24 May, 1984.



Franco Carrozza
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 14

THURSDAY, MAY 24, 1984

ORDER: The Committee met at 10:10 o'clock a.m. this day, the Chairman, Mr. P. Reid, presiding.

ATTENDANCE: Members of the Committee present: Messrs. Bradley, Cunningham, Eves, Havrot, Kennedy, Kolyn, Philip, P. Reid, Sargent, Mrs. Scrivener, Messrs. J. Taylor, Wildman.

Members, not of the Committee, present: Messrs. Harris, Mancini.

Witnesses: From the Ministry of Northern Affairs: Mr. D. Hobbs, Deputy Minister.

From the Ontario Northland Transportation Commission: Mr. J.W. Spooner, Chairman; Mr. P. A. Dymont, General Manager; Captain L. Davis, Manager, Marine Services.

In attendance: Mr. D. Archer, Provincial Auditor; Mr. K. Leishman, Director, Reporting and Standards Branch, Office of the Provincial Auditor.

Ms. E. Gardiner, Research Officer.

PROCEEDINGS: The Committee reviewed the Provincial Auditor's 1983 Report, Section 4.11: Potential for Increased Economy and Efficiency re Operation of M.S. Chi-Cheemaun, The Owen Sound Transportation Company, Limited.

The Witness made a statement and answered questions.

At 11:00 o'clock a.m. the Vice-Chairman assumed the Chair until 11:05 o'clock a.m.

Having completed its regular business, the Chairman introduced a draft agenda for approval by the Committee.

After some debate, it was adopted.

The Chairman also informed the Committee that consultants from Price Waterhouse were making a study of the Management Board of Cabinet, and that if the Members of the Committee wished to speak to them they should inform him and he would arrange a meeting with the consultants and the Committee.

It was agreed to delay the decision.

The Chairman informed the Committee that he had received a notice of motion from Mr. B. Wildman.

It stated: That the Standing Committee on Public Accounts request the Provincial Auditor to investigate the approval and administration of the subdivision agreement between the Ministry of Municipal Affairs and Housing and Rygate Homes Inc. for the development of Forrest Glen Subdivision in the unorganized township of Striker (near Blind River):

in particular:

why the ministry approved such a subdivision with communal water services in an area without municipal organization, and why, in the event of such approval, a performance bond was not secured in order to guarantee completion of the project and services, and why the letters of credit with the Bank of Montreal, the only protection the government had, were allowed to lapse before the project's completion with the result that the Ontario Land

- 2 -

Corporation is now completing the project at the taxpayers' expense, as Rygate is apparently insolvent.

Further that the Provincial Auditor report on the involvement of three public employees, James Ramsay, Jan Westcott and Kaius Meipoom, who are or were associated with Rygate Homes Inc.

It was decided that the motion would be debated on the next meeting day.

The Chairman further informed the Committee that he had received a letter and report from Dr. Fisher, Deputy Minister of Education and Colleges and Universities, regarding Algonquin College, advising of the confidentiality of Mr. Norman Sisco's report and requesting that care be taken with the contents of the report.

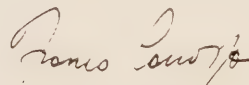
After some debate, the Committee agreed that the report would be located in the Clerk's Office and that any Member who wished to read the report could do so in the Clerk's Office but that no copies were to be made or distributed to the public.

The following documents were filed with the Clerk of the Committee as Exhibits:

- Exhibit No. 41 - Third Report of the Standing Committee on Public Accounts of the House of Commons on the Public Accounts of Canada.
- Exhibit No. 42 - Background Paper prepared for the Committee by the Committee's Research Officer on the 1983 Provincial Auditor's Report, Section 4.11 - Potential for Increased Economy and Efficiency re Operation of M.S. Chi-Cheemaun, The Owen Sound Transportation Company, Limited.
- Exhibit No. 42A - Brochure "Traverse Tobermory South Baymouth Ferry Service" on M.S. Chi-Cheemaun submitted by Ontario Northland Transportation Commission.
- Exhibit No. 43 - Response dated May 17, 1984 from Dr. D.A. Chant, Chairman, Ontario Waste Management Corporation giving information requested by the Committee at its meeting on April 5, 1984.

ADJOURNMENT:

At 11:25 o'clock a.m. the Committee adjourned until Thursday, May 31, 1984.



Franco Carrozza
Clerk of the Committee

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 15

THURSDAY, MAY 31, 1984

ORDER: The Committee met at 10:05 o'clock a.m. this day, the Chairman, Mr. P. Reid, presiding.

ATTENDANCE: Members of the Committee present: Messrs. Bradley, Cunningham, Eves, Havrot, Kennedy, Kolyn, Philip, Reid, Sargent, Wildman.

Substitutions: Mr. Henderson for Mr. J. Taylor; Mr. J. Pollock for Mrs. Scrivener.

Member, not of the Committee, present: Mr. Conway.

Witnesses: From the Ministry of Treasury and Economics: Mr. D. McColl, Assistant Deputy Minister; Mr. A. Nethery, Director, Financial Information and Accounting Policy Branch; Mr. H.M. Ploeger, Director, Intergovernmental Finance Policy Branch.

In Attendance: From the Office of the Provincial Auditor: Mr. D. F. Archer, Provincial Auditor; Mr. K. Leishman, Director, Reporting and Standards Branch.

Ms. E. Gardiner, Research Officer.

PROCEEDINGS: The Committee reviewed the Provincial Auditor's 1983 Report, Section 5.4: Advances and Loans Repayable from Annual Expenditure Appropriations (Ministry of Treasury and Economics).

The witness made a statement and answered questions.

After some time, the Chairman called Mr. Wildman's notice of motion.

Mr. Wildman moved, - *That the Standing Committee on Public Accounts request the Provincial Auditor to investigate the approval and administration of the subdivision agreement between the Ministry of Municipal Affairs and Housing and Rygate Homes Inc. for the development of Forrest Glen Subdivision in the unorganized township of Striker (near Blind River):*

In particular:

Why the Ministry approved such a subdivision with communal water services in an area without municipal organization, and

Why, in the event of such approval, a performance bond was not secured in order to guarantee completion of the project and services, and

Why the letters of credit with the Bank of Montreal, the only protection the Government had, were allowed to lapse before the project's completion with the result that the Ontario Land Corporation is now completing the project at the taxpayers' expense, as Rygate is apparently insolvent.

Further, that the Provincial Auditor report on the involvement of three public employees, James Ramsay, Jan Westcott and Kaius Meipoom, who are or were associated with Rygate Homes Inc.

After some debate, Mr. Wildman deleted the last paragraph of his motion.

After further debate, the question being put on the motion, it carried.

The Chairman informed the Committee that he had received a letter from the Provincial Auditor's Office regarding their investigation into the finances of Algonquin College.


The Committee agreed to provide a copy of the Norman Sisco Report to the Provincial Auditor's Office to assist in its investigation.

The following documents were filed with the Clerk of the Committee as Exhibits:

- Exhibit No. 44 - Background Paper prepared for the Committee by the Committee's Research Officer on the Provincial Auditor's 1983 Report, Section 5.4: Advances and Loans Repayable from Annual Expenditure Appropriations.
- Exhibit No. 45 - Letter dated May 14, 1984 from Dr. H.K. Fisher, Deputy Minister of Education and Colleges and Universities giving information on Algonquin College which was requested at the April 26, 1984 meeting of the Committee.
- Exhibit No. 46 - Letter dated May 28, 1984 from M.R. Teixeira, Director, Social Development Policy Field Branch, Office of the Provincial Auditor, relating to the investigation into the finances of Algonquin College.

ADJOURNMENT:

At 11:40 o'clock a.m. the Committee adjourned until Thursday, June 7, 1984.



Franco Carrozza
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 16

THURSDAY, JUNE 7, 1984

ORDER: The Committee met at 10:14 o'clock a.m. this day, the Chairman, Mr. P. Reid, presiding.

ATTENDANCE: Members of the Committee present: Messrs. Bradley, Cunningham, Eves, Havrot, Kennedy, Kolyn, Philip, P. Reid, Sargent, Mrs. Scrivener, Messrs. J. Taylor, Wildman.

Members, not of the Committee, present: Messrs. Conway, Eakins.

Witnesses: From the Ministry of Tourism and Recreation: Mr. T. H. Gibson, Deputy Minister; Mr. G. C. McDonald, Executive Co-ordinator, Agency of Record.

From the Ontario Lottery Corporation: Mr. D. N. Morris, President; Mr. D. Mackie, Vice President, Marketing.

From Ontario Place Corporation: Ms. V. Cooper, Acting General Manager.

In attendance: From the Office of the Provincial Auditor: Mr. D. Archer, Provincial Auditor; Mr. K. Leishman, Director, Reporting and Standards Branch.

Ms. E. Gardiner, Research Officer.

PROCEEDINGS: The Committee reviewed the Provincial Auditor's 1983 Report, Section 4.8: Lack of Competitive Bids re Advertising, Ontario Lottery Corporation.

The witnesses answered questions.

After some time, the Committee reviewed the Provincial Auditor's 1983 Report, Section 4.9: Lack of Co-ordination re Future Pod Advertising, Ontario Place Corporation.

The witnesses made a statement and answered questions.

After some time, the Chairman informed the Committee that the visit to the Provincial Auditor's Office, scheduled for June 17, 1984, was cancelled and would be rescheduled for a later date.

He also informed the Committee that he had written to the Board of Internal Economy regarding the Committee's trip to London, England, and that he would be keeping the Members informed of what the response was from the Board.

The following documents were filed with the Clerk of the Committee as Exhibits:

- | | | |
|----------------|---|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Exhibit No. 47 | - | Background Paper prepared for the Committee by the Committee's Research Officer on the Provincial Auditor's 1983 Report, Section 4.8: Lack of Competitive Bids re advertising, Ontario Lottery Corporation. |
| Exhibit No. 48 | - | Background Paper prepared for the Committee by the Committee's Research Officer on the Provincial Auditor's 1983 Report, Section 4.9: Lack of Co-ordination re Future Pod Advertising, Ontario Place Corporation. |

- 2 -

ADJOURNMENT:

At 12:00 o'clock noon, the Committee adjourned until further notice.

Franco Carozza
 Franco Carozza

Franco Carrozza
Clerk of the Committee

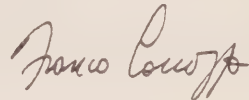
OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 17

THURSDAY, JUNE 21, 1984

- ORDER: The Committee met at 10:20 o'clock a.m. this day, the Chairman, Mr. P. Reid, presiding.
- ATTENDANCE: Members of the Committee present: Messrs. Havrot, Kennedy, Kolyn, P. Reid, Mrs. Scrivener, Mr. Wildman.
- Member, not of the Committee, present: Mr. Harris.
- In attendance: From the Provincial Auditor's Office: Mr. D. Archer, Provincial Auditor; Mr. K. Leishman, Director, Reporting and Standards Branch.
- PROCEEDINGS: The Committee met in camera to discuss its trip to London, England.
- The Committee agreed that the Chairman, one member from each of the three Parties, and the Clerk would travel to London, England on behalf of the Committee.
- ADJOURNMENT: At 10:25 o'clock a.m. the Committee adjourned until further notice.



Franco Carrozza
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 18

MONDAY, JULY 9, 1984

CHARLOTTETOWN, PRINCE EDWARD ISLAND

ORDER:

The Committee met at 10:15 o'clock a.m. this day, the Chairman, Mr. P. Reid, presiding.

ATTENDANCE:

Members of the Committee present: Messrs. Bradley, Havrot, Kennedy, Kolyn, Philip, P. Reid, Sargent, Mrs. Scrivener.

Witnesses: Mr. J. Keenan, Assistant Secretary, Management Board of Cabinet, Government of Ontario.

In attendance: Ms. E. Gardiner, Research Officer.

PROCEEDINGS:

The Committee met in a joint session with the Canadian Council of Public Accounts Committees at its annual meeting.

The Chairman, Mr. P. Reid, in his capacity as the President of the Council, made a presentation and answered questions.

At 11:35 o'clock a.m. the Conference recessed until 2:05 o'clock p.m.

The witness, Mr. J. Keenan, made a presentation and answered questions.

The following document was filed with the Clerk of the Committee as an Exhibit:

Exhibit No. 1 - Issues of Accountability and Ministerial Responsibility in the Ontario Government, 1983-84 - Paper presented by the Chairman at the Conference.

ADJOURNMENT:

At 3:45 o'clock p.m. the Conference adjourned until Tuesday, July 10, 1984.



Franco Carrozza
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 19

TUESDAY, JULY 10, 1984

CHARLOTTETOWN, PRINCE EDWARD ISLAND

ORDER:

The Committee met at 10:10 o'clock a.m. this day, the Chairman, Mr. P. Reid, presiding.

ATTENDANCE:

Members of the Committee present: Messrs. Bradley, Havrot, Kennedy, Kolyn, Philip, P. Reid, Mrs. Scrivener.

Witnesses: Mr. J.P. Boisclair, Executive Director, Canadian Comprehensive Auditing Foundation.

Mr. W. Strelloff, Researcher, Canadian Institute of Chartered Accountants.

Mr. D. Archer, Provincial Auditor for Ontario and Chairman of the Auditors-General Council.

Mr. R. Cousineau, M.P., House of Commons.

In attendance: Ms. E. Gardiner.

PROCEEDINGS:

The Committee continued to meet in joint session with the Canadian Council of Public Accounts Committees.

The witnesses made presentations and answered questions.

At 11:40 o'clock a.m. the Conference recessed until 12:05 o'clock p.m.

The Conference commenced hearing "case study" presentations from some of the members of the Council, following which there was a general discussion.

At 12:20 o'clock p.m. the Conference recessed until 2:05 o'clock p.m.

The Canadian Council of Public Accounts Committees met in a joint session with the Auditors-General Council.

Afterwards, the witnesses made presentations. A general discussion of the presentations followed.

At 3:40 o'clock p.m. the Conference recessed until 4:05 o'clock p.m.

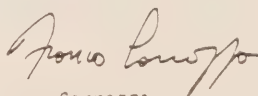
Other witnesses made presentations, which were followed by a general discussion.

The following document was filed with the Clerk of the Committee as an Exhibit:

Exhibit No. 2 - "The Candair Inquiry", Chairman's Statement for 1984 Meeting of the Council of Public Accounts Committees - Paper presented at the Conference by the Chairman of the Standing Committee on Public Accounts of the House of Commons.

ADJOURNMENT:

At 5:10 o'clock p.m. the Conference adjourned until Wednesday, July 11, 1984.


Franco Carrozza
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 20

WEDNESDAY, JULY 11, 1984

CHARLOTTETOWN, PRINCE EDWARD ISLAND

ORDER:

The Committee met at 10:05 o'clock a.m. this day, the Chairman, Mr. P. Reid, presiding.

ATTENDANCE:

Members of the Committee present: Messrs. Bradley, Havrot, Kennedy, Kolyn, Philip, P. Reid, Mrs. Scrivener.

Witnesses: Mr. Tony Penikett, M.L.A. and Chairman of the Yukon Public Accounts Committee.

In attendance: Ms. E. Gardiner, Research Officer.

PROCEEDINGS:

The Committee continued to meet in joint session with the Canadian Council of Public Accounts Committees.

The Conference continued to hear "case study" presentations from its members, which were followed by a general discussion.

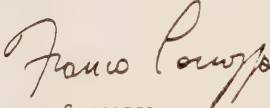
After some time, the Council met in a business session.

After some debate, Mr. T. Penikett, M.L.A. from Yukon, was elected President of the Canadian Council of Public Accounts Committees.

It was agreed that the next annual Conference would be held in Whitehorse, Yukon in July 1985.

ADJOURNMENT:

At 12:05 o'clock p.m. the Committee adjourned until further notice.


Franco Carrozza
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 21

MONDAY, SEPTEMBER 17, 1984

ORDER: The Committee met at 9:45 o'clock a.m. this day, the Chairman, Mr. P. Reid, presiding.

ATTENDANCE: Members of the Committee present: Messrs. Havrot, Kennedy, Kolyn, P. Reid, Philip, J. Taylor, Wildman.

In attendance: From the Office of the Provincial Auditor: Mr. D. Archer, Provincial Auditor.

Ms. E. Gardiner, Research Officer.

PROCEEDINGS: The Committee commenced consideration of its Order of Reference dated June 27, 1984, relating to the Report of the Provincial Auditor on Ontario Hydro's finances.

The Committee adjourned to the Darlington Nuclear Generating Station for a tour of the facilities.

At 12:15 o'clock p.m. the Committee recessed until 1:45 o'clock p.m.

The Committee toured the facilities at the Pickering Nuclear Generating Station.

The following documents were filed with the Clerk of the Committee as Exhibits:

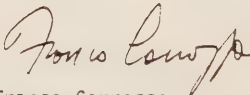
- | | |
|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Exhibit No. 50 | - MINISTRY OF AGRICULTURE AND FOOD:
Letter dated June 18, 1984 from Dr. C.M. Switzer, Deputy Minister, giving information on the appointment of a business consultant. |
| Exhibit No. 51 | - MINISTRY OF GOVERNMENT SERVICES:
Letter dated June 15, 1984 from G.R. Thompson, Deputy Minister, giving information requested by the Committee at its May 3, 1984 meeting. |
| Exhibit No. 52 | - MINISTRY OF HEALTH:
Letter dated June 22, 1984 from G.J.M. Raymond, Deputy Minister, giving information requested by a Member of the Committee at the May 10, 1984 meeting. |
| Exhibit No. 53 | - CANADIAN INSTITUTE OF CHARTERED ACCOUNTANTS:
Letter dated July 31, 1984, from D.L. Meyers, Chairman, Public Sector Accounting and Auditing Committee, relating to two Exposure Drafts. |
| Exhibit No. 54 | - CICA PUBLIC SECTOR ACCOUNTING AND AUDITING COMMITTEE:
Exposure draft entitled "Auditing in the Public Sector" dated July 1984. |
| Exhibit No. 54A | - CICA PUBLIC SECTOR ACCOUNTING AND AUDITING COMMITTEE:
Exposure Draft entitled "La vérification des organismes du secteur public" dated Juillet 1984 (French version of Exhibit No. 54). |

- 2 -

- Exhibit No. 55 - CICA PUBLIC SECTOR ACCOUNTING AND AUDITING COMMITTEE:
Exposure Draft entitled "Audit of Financial Statements" dated July 1984.
- Exhibit No. 55A - CICA PUBLIC SECTOR ACCOUNTING AND AUDITING COMMITTEE:
Exposure Draft entitled "Vérification des Etats Financier" dated Juillet 1984 (French version of Exhibit No. 55).
- Exhibit No. 56 - OFFICE OF THE PROVINCIAL AUDITOR:
Letter dated July 30, 1984 from D. Archer, and backup material relating to the reporting practices of the Office of the Provincial Auditor.
- Exhibit No. 57 - OFFICE OF THE PROVINCIAL AUDITOR:
Letter dated July 30, 1984 from D. Archer, on the question of how the Auditor should relate to the media.
- Exhibit No. 58 - MINISTRY OF GOVERNMENT SERVICES:
Letter dated August 17, 1984 from G.R. Thompson, Deputy Minister, giving the rest of the information requested by the Committee at its May 3, 1984 meeting.
- Exhibit No. 59 - ONTARIO HYDRO:
Questions raised by the Committee on Ontario Hydro to be looked at by the Provincial Auditor in doing his report.

ADJOURNMENT:

At 4:30 o'clock p.m. the Committee adjourned until Tuesday, September 18, 1984.


Franco Carrozza
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 22

TUESDAY, SEPTEMBER 18, 1984

ORDER:

The Committee met at 10:15 o'clock a.m. this day, the Chairman, Mr. P. Reid, presiding.

ATTENDANCE:

Members of the Committee present: Messrs. Eves, Havrot, Kennedy, Kolyn, Philip, P. Reid, Sargent, Mrs. Scrivener, Messrs. J. Taylor, Wildman.

Substitutions: Mr. V. Kerrio for Mr. E. Cunningham; Mr. R. Haggerty for Mr. J. Bradley.

Witnesses: From Ontario Hydro: Mr. T. Campbell, Chairman; Mr. M. Nastich, President.

In attendance: From the Office of the Provincial Auditor: Mr. D. Archer, Provincial Auditor; Mr. K. Leishman, Director, Reporting and Standards Branch.

Ms. E. Gardiner, Research Officer.

PROCEEDINGS:

The Committee resumed consideration of its Order of Reference dated June 27, 1984, relating to the Report of the Provincial Auditor on Ontario Hydro's finances.

The Committee met in camera to review the Report.

At 12:05 o'clock p.m. the Committee recessed until 2:05 o'clock p.m.

The witnesses made a statement and answered questions.

It was agreed that the Committee would proceed by reviewing first the Darlington Report all day on Wednesday, the Pickering Report on Thursday and the Mothballing Report next. It was further agreed that the Committee would not meet on Friday, September 21, 1984, but that the Committee would meet on September 25, 26, and 27, 1984, if necessary.

The following documents were filed with the Clerk of the Committee as Exhibits:

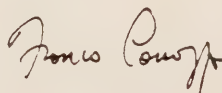
- | | |
|-----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Exhibit No. 60 | - ONTARIO HYDRO:
Letter dated August 21, 1984 from D. Archer, Provincial Auditor, and letter dated August 17, 1984 from M. Nastich, Chairman of Ontario Hydro, relating to the review of Ontario Hydro's finances by the Office of the Provincial Auditor. |
| Exhibit No. 60A | - ONTARIO HYDRO:
Executive Summary of the review of Ontario Hydro's finances, prepared by the Office of the Provincial Auditor. |
| Exhibit No. 60B | - ONTARIO HYDRO:
Review of the Darlington Nuclear Generating Station Construction Project, prepared by the Office of the Provincial Auditor. |

- 2 -

- Exhibit No. 60C - ONTARIO HYDRO:
Review of Tube Replacement Program
at Pickering "A" Nuclear Generating
Station, prepared by the Office of the
Provincial Auditor.
- Exhibit No. 60D - ONTARIO HYDRO:
Review of the Mothballing and Write-off
Program in Heavy Water Production and
Fossil Fuel Generation, prepared
by the Office of the Provincial Auditor.
- Exhibit No. 61 - ONTARIO HYDRO:
Article on nuclear energy from the Wall
Street Journal, July 23, 1984, submitted
by Mr. A. Kolyn.
- Exhibit No. 62 - ONTARIO HYDRO:
Notes for remarks by Mr. T. Campbell,
Chairman, Ontario Hydro.
- Exhibit No. 63 - ONTARIO HYDRO:
Memorandum prepared by the Committee's
Research Officer on the Provincial
Auditor's review of the finances of
Ontario Hydro.
- Exhibit No. 63A - ONTARIO HYDRO:
Summary and Recommendations of the
1976 Select Committee on Hydro Affairs
Report, prepared by the Committee's
Research Officer.
- Exhibit No. 63B - ONTARIO HYDRO:
Ontario Hydro's 1983 Annual Report
(submitted by the Committee's Research
Officer).

ADJOURNMENT:

At 4:05 o'clock p.m. the Committee adjourned until Wednesday,
September 19, 1984.



Franco Carrozza
Clerk of the Committee

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 23

WEDNESDAY, SEPTEMBER 19, 1984

ORDER: The Committee met at 10:07 o'clock a.m. this day, the Chairman, Mr. P. Reid, presiding.

ATTENDANCE: Members of the Committee present: Messrs. Eves, Havrot, Kennedy, Kolyn, Philip, P. Reid, Sargent, Mrs. Scrivener, Messrs. J. Taylor, Wildman.

Substitutions: Mr. V. Kerrio for Mr. E. Cunningham; Mr. Haggerty for Mr. Bradley.

Witnesses: From Ontario Hydro: Mr. M. Nastich, President; Mr. A. Niitenberg, Executive Vice-President - Operations; Mr. T. Burdette, Executive Vice-President - Planning and Administration; Mr. G. McIntyre, Director - Corporate Power System Programming Division; Mr. S. Horton, Executive Vice-President - Engineering and Services; Mr. J. McCredie, Project Manager - Darlington Nuclear Generating Station.

In attendance: From the Office of the Provincial Auditor: Mr. D. Archer, Provincial Auditor; Mr. K. Leishman, Director, Reporting and Standards Branch.

Ms. E. Gardiner, Research Officer.

PROCEEDINGS: The Committee resumed consideration of its Order of Reference dated June 27, 1984, relating to the Provincial Auditor's Report on Ontario Hydro's Finances.

The witnesses answered questions.

At 11:20 o'clock a.m. Mr. J. Taylor assumed the Chair until 11:25 o'clock a.m.


At 12:05 o'clock p.m. the Committee recessed until 2:04 o'clock p.m.

The witnesses continued to answer questions.

The following documents were filed with the Clerk of the Committee as Exhibits:

Exhibit No. 64 - ONTARIO HYDRO:
Article "Nuclear Running Costs Take
a Big Bite".

ADJOURNMENT: At 4:09 o'clock p.m. the Committee adjourned until Thursday, September 21, 1984.


Franco Carrozza
Clerk of the Committee

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 24

THURSDAY, SEPTEMBER 20, 1984

ORDER: The Committee met at 10:05 o'clock a.m. this day, the Chairman, Mr. P. Reid, presiding.

ATTENDANCE: Members of the Committee present: Messrs. Eves, Havrot, Kennedy, Kolin, Philip, P. Reid, Mrs. Scrivener, Messrs. J. Taylor, Wildman.

Substitutions: Mr. Kerrio for Mr. Cunningham; Mr. Haggerty for Mr. Bradley.

Witnesses: From Ontario Hydro: Mr. A. Niitenberg, Executive Vice-President, Operations; Mr. L.G. McConnell, Executive Vice-President, Power Systems Program; Mr. S. Horton, Executive Vice-President, Engineering and Services; Mr. T. Burdette, Executive Vice-President, Planning and Administration.

In attendance: From the Office of the Provincial Auditor: Mr. D. Archer, Provincial Auditor; Mr. K. Leishman, Director, Reporting and Standards Branch.

Ms. E. Gardiner, Research Officer.

PROCEEDINGS: The Committee resumed consideration of its Order of Reference dated June 27, 1984, relating to the Report of the Provincial Auditor on Ontario Hydro's Finances.

Before the regular meeting began the Chairman informed the Committee of the death of Mrs. John Eakins.

The Committee agreed to adjourn at 12:00 o'clock noon and not to meet in the afternoon to allow Members to attend the funeral of Mrs. Eakins.

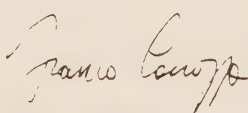
The witnesses answered questions on the re-tubing of the Pickering Nuclear Generating Station.

At 11:00 o'clock a.m. Mr. J. Taylor assumed the Chair until 11:33 o'clock a.m.

The following documents were filed with the Clerk of the Committee as Exhibits:

Exhibit No. 65 - ONTARIO HYDRO:
Responses to questions raised by
Mr. E. Philip on September 19, 1984.

ADJOURNMENT: At 12:01 o'clock p.m. the Committee adjourned until Tuesday, September 25, 1984.


Franco Carrozza
Clerk of the Committee

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 25

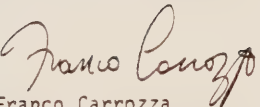
TUESDAY, SEPTEMBER 25, 1984

- ORDER: The Committee met at 10:10 o'clock a.m. this day, the Chairman, Mr. P. Reid, presiding.
- ATTENDANCE: Members of the Committee present: Messrs. Eves, Havrot, Kennedy, Kolyn, Philip, P. Reid, Mrs. Scrivener, Messrs. J. Taylor, Wildman.
- Substitution: Mr. Kerrio for Mr. Cunningham.
- Witnesses: From Ontario Hydro: Mr. A. Niitenberg, Executive Vice-President, Operations; Mr. L. G. McConnell, Vice-President, Power Systems Program; Mr. S. Horton, Executive Vice-President, Engineering and Services; Mr. T. Burdette, Executive Vice-President, Planning and Administration; Mr. G. McIntyre, Director, Corporate Power Systems Programming Division, Power Systems Program Branch; Mr. D. Smith, Director, Fuel Division; Mr. J. Bartholomew, Executive Vice-President, Finances.
- In attendance: From the Office of the Provincial Auditor: Mr. D. Archer, Provincial Auditor; Mr. K. Leishman, Director, Reporting and Standards Branch; Mr. P.L. Chiu, Audit Manager, Reporting and Standards Branch.
- Ms. E. Gardiner, Research Officer.
- PROCEEDINGS: The Committee resumed consideration of its Order of Reference dated June 27, 1984, relating to the Report of the Provincial Auditor on Ontario Hydro's Finances.
- The witnesses answered questions on tubing at the Pickering Nuclear Generating Station.
- At 11:34 o'clock a.m. the Committee recessed until 2:09 o'clock p.m.
- The witnesses answered questions on Mothballing of various power stations.
- The following documents were filed with the Clerk of the Committee as Exhibits:
- Exhibit No. 66 - ONTARIO HYDRO:
Responses to questions raised by
Mr. V. Kerrio on September 19, 1984.
 - Exhibit No. 67 - ONTARIO HYDRO:
Article dated July 16, 1984 from The
Toronto Star, "Energy Shortage in '90s
is possible, OECD warns".
 - Exhibit No. 68 - COMMITTEE RESEARCH OFFICER:
Articles from Toronto newspapers:
"Hydro-Quebec wins approval
for \$5 billion export to U.S.", The
Toronto Star, September 19, 1984;
"Shortage possible in '90s, Hydro says"
The Globe and Mail, September 24, 1984;
"Neighbour provinces eye Manitoba bid
to export electricity", The Globe and
Mail, September 24, 1984.

- 2 -

ADJOURNMENT:

At 4:10 o'clock p.m. the Committee adjourned until further notice.


Franco Carrozza
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 26

SUNDAY, SEPTEMBER 30, 1984

LONDON, ENGLAND

ORDER: The Committee met at 2:00 o'clock p.m. this day, the Chairman,
Mr. P. Reid, presiding.

ATTENDANCE: Members of the Committee present: Messrs. Havrot, Kolyn, P. Reid,
Sargent.

In attendance: From the Office of the Provincial Auditor:
Mr. D. Archer, Provincial Auditor.

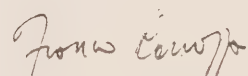
Ms. E. Gardiner.

PROCEEDINGS: The Committee met in camera for a briefing and discussion on the New
Audit Act, the Public Accounts Committee of the House of Commons, and
the Privatization Policy of the Government in Britain.

The following document was filed with the Clerk of the Committee
as an Exhibit:

Exhibit No. 69 - Information package for meetings in
London, England, prepared by the
Committee's Research Officer.

ADJOURNMENT: At 3:35 o'clock p.m. the Committee adjourned until Monday,
October 1, 1984.



Franco Carrozza
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 27

MONDAY, OCTOBER 1, 1984

LONDON, ENGLAND

ORDER: The Committee met at 11:15 o'clock a.m. this day, the Chairman, Mr. P. Reid, presiding.

ATTENDANCE: Members of the Committee present: Messrs. Havrot, Kolyn, P. Reid, Sargent.

Witnesses: From the Canadian High Commission: Mr. S. Beattie, Minister Counsellor, Political and Economic Affairs; Ms. N. Styles, Economic Counsellor.

From the Department of Energy of the British Government: Mr. C. Wilcock, Head of Finance Branch; Mr. G. Campbell, Head of Gas Division; Mr. D. Davies, Gas Division.

Mr. R. Greenwood, Establishment and Finance Division.

In attendance: From the Office of the Provincial Auditor: Mr. D. Archer, Provincial Auditor.

Ms. E. Gardiner, Research Officer.

PROCEEDINGS: The Committee commenced consideration of its Order of Reference dated June 27, 1984, relating to the review of the new Audit Act and Privatization of Crown Companies.

The witnesses made statements and answered questions.

At 12:30 o'clock p.m. the Committee recessed until 2:30 o'clock p.m.


The witnesses made statements and answered questions.

The following documents were filed with the Clerk of the Committee as Exhibits:

Exhibit No. 70 - BRITOIL PLC:
Offer for Sale of Ordinary Shares,
submitted by the British Department
of Energy.

Exhibit No. 71 - ENTERPRISE OIL PLC:
Offer for Sale by Tender,
submitted by the British Department
of Energy.

ADJOURNMENT: At 4:30 o'clock p.m. the Committee adjourned until Tuesday, October 2, 1984.


Franco Carrozza
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 28

TUESDAY, OCTOBER 2, 1984

LONDON, ENGLAND

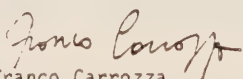
- ORDER: The Committee met at 10:00 o'clock a.m. this day, the Chairman, Mr. P. Reid, presiding.
- ATTENDANCE: Members of the Committee present: Messrs. Havrot, Kolyn, P. Reid, Sargent.
- Witnesses: From the Office of the Comptroller and Auditor General of Great Britain: Mr. P. Cousins, Deputy Comptroller and Auditor General; Mr. M. Gooden, Head of Finance Audit.
- From the Office of the Audit Commission for Local Authorities in England and Wales: Mr. J. Banham, Controller.
- From the Public Accounts Committee, House of Commons:
- Sir Michael Shaw, M.P.; Mr. M. Latham, M.P.; Mr. M. Shersby, M.P.; Mr. J. Rose, Clerk of the Committee.
- In attendance: From the Office of the Provincial Auditor: Mr. D. Archer, Provincial Auditor.
- Ms. E. Gardiner, Research Officer.
- PROCEEDINGS: The Committee resumed consideration of its Order of Reference, dated June 27, 1984, relating to the new Audit Act and Privatization.
- The witnesses made statements and answered questions.
- At 11:20 o'clock a.m. the Committee recessed until 11:45 o'clock a.m.
- The witnesses made a statement and answered questions.
- At 1:00 o'clock p.m. the Committee recessed until 2:30 o'clock p.m.
- The witnesses made statements and answered questions.
- The following documents were filed with the Clerk of the Committee as Exhibits:
- | | | |
|----------------|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Exhibit No. 72 | - | COMMITTEE OF PUBLIC ACCOUNTS, HOUSE OF COMMONS: Seventeenth Report of the Public Accounts Committee relating to Sale of Government shareholdings in publicly-owned companies, Department of Transport and Department of Energy. |
| Exhibit No. 73 | - | NATIONAL AUDIT OFFICE: Press notice dated September 28, 1984, relating to the Rate Support Grant System in England and Wales. |
| Exhibit No. 74 | - | NATIONAL AUDIT OFFICE: Report by the Comptroller and Auditor General, Foreign and Commonwealth Office: Control of Diplomatic Service Manpower. |
| Exhibit No. 75 | - | NATIONAL AUDIT OFFICE: Booklet on the operations of the National Audit Office. |

- 2 -

- | | | |
|----------------|---|-----------------------------------------------------------------------------------------------------------------------------------------------------|
| Exhibit No. 76 | - | AUDIT COMMISSION:
Code of Local Government Audit Practice
for England and Wales. |
| Exhibit No. 77 | - | AUDIT COMMISSION:
Booklet entitled "Securing Further
Improvements in Refuse Collection". |
| Exhibit No. 78 | - | AUDIT COMMISSION:
Booklet entitled "Responsibility of
the Auditor in relation to overall
Management Arrangements". |
| Exhibit No. 79 | - | AUDIT COMMISSION:
Review of the Audit Commission dated
March 1984. |
| Exhibit No. 80 | - | AUDIT COMMISSION:
Review of the Audit Commission dated
July 1984. |
| Exhibit No. 81 | - | AUDIT COMMISSION:
Review of the Audit Commission dated
August 1984. |
| Exhibit No. 82 | - | AUDIT COMMISSION:
Audit Commission Handbook "Improving
Economy, Efficiency and Effectiveness
in Local Government in England and
Wales". |

ADJOURNMENT:

At 4:30 o'clock p.m. the Committee adjourned until Wednesday,
October 3, 1984.


Franco Carrozza
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 29

WEDNESDAY, OCTOBER 3, 1984

LONDON, ENGLAND

ORDER: The Committee met at 10:00 o'clock a.m. this day, the Chairman, Mr. P. Reid, presiding.

ATTENDANCE: Members of the Committee present: Messrs. Havrot, Kolyn, P. Reid, Sargent.

Witnesses: From H.M. Treasury: Mr. C. Judd, Treasury Officer of Accounts.

Mr. T. Burgner, Head of Public Enterprise Group; Mr. G. Greepstein, Policy Advisor.

In attendance: From the Office of the Provincial Auditor: Mr. D. Archer, Provincial Auditor.

Ms. E. Gardiner, Research Officer.

PROCEEDINGS: The Committee resumed consideration of its Order of Reference dated June 27, 1984, relating to the new Audit Act and Privatization.

The witnesses made a statement and answered questions.

At 12:00 o'clock noon the Committee recessed until 2:30 o'clock p.m.

The witnesses made statements and answered questions.

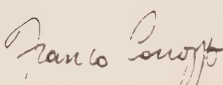
The following documents were filed with the Clerk of the Committee as Exhibits:

Exhibit No. 83 - H.M. TREASURY:
Treasury Minute on the Thirteenth to Eighteenth Reports from the Committee of Public Accounts, Session 1983-84.

Exhibit No. 84 - H.M. TREASURY:
Paper entitled "The Responsibilities of an Accounting Officer".

Exhibit No. 85 - H.M. TREASURY:
Background briefing on Privatization in the United Kingdom.

ADJOURNMENT: At 4:30 o'clock p.m. the Committee adjourned until Thursday, October 4, 1984.


Franco Carrozza
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 30

THURSDAY, OCTOBER 4, 1984

LONDON, ENGLAND

ORDER: The Committee met at 9:30 o'clock a.m. this day, the Chairman, Mr. P. Reid, presiding.

ATTENDANCE: Members of the Committee present: Messrs. Havrot, Kolyn, P. Reid, Sargent.

Witnesses: From Ontario House: Mr. W.R. DeGeer, Agent General.

From Barclays Bank: Mr. R.H. Watson, Deputy Managing Director, Barclays Bank International.

Mr. J.K. Watson, Deputy Chairman, Finance, National Freight Corporation.

Mr. D.A.S. Mills, presently on attachment from Barclays Bank Canada.

Mrs. L. Rouse, Assistant Director, Barclays Merchant Bank Ltd.

In attendance: From the Office of the Provincial Auditor:
Mr. D. Archer, Provincial Auditor.

Ms. E. Gardiner, Research Officer.

PROCEEDINGS: The Committee resumed consideration of its Order of Reference dated June 27, 1984, relating to the new Audit Act and Privatization.

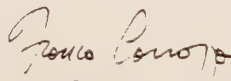
The witnesses made statements and answered questions.

The following documents were filed with the Clerk of the Committee as Exhibits:

Exhibit No. 86 - NATIONAL FREIGHT CORPORATION:
Book by Sandy McLachlan "The National Freight Buy-Out".

Exhibit No. 87 - BARCLAYS MERCHANT BANK:
Booklet entitled "Privatisation and Deregulation in the United Kingdom".

ADJOURNMENT: At 12:00 o'clock noon the Committee adjourned until further notice.


Franco Carrozza
Clerk of the Committee

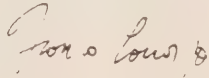
OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 31

THURSDAY, OCTOBER 18, 1984

- ORDER: The Committee met at 10:20 o'clock a.m. this day, the Chairman, Mr. P. Reid, presiding.
- ATTENDANCE: Members of the Committee present: Messrs. Bradley, Havrot, Kennedy, Kolyn, Philip, P. Reid, Sargent, Mrs. Scrivener, Mr. Wildman.
- In attendance: From the Office of the Provincial Auditor: Mr. D. Archer, Provincial Auditor.
- Ms. E. Gardiner, Research Officer.
- PROCEEDINGS: The Committee met to receive a report from some of the Members of the Committee who had visited London, England.
- A general discussion ensued.
- After some time, it was agreed to meet the following week to review the Provincial Auditor's Report, Section 4.2: Accountability of Crown Agencies.
- It was agreed that the Committee would adjourn until November 22, 1984, to allow the Research Officer time to prepare the Annual Report of the Committee.
- The Provincial Auditor informed the Committee that the report relating to Mr. Wildman's motion on Forrest Glen subdivision would be filed on November 8, 1984, and further advised that the report relating to Mr. Cunningham's motion on Algonquin College would be filed as two separate reports - the first one on November 15, 1984 and the second on November 29, 1984.
- The Chairman informed the Committee that the Canadian Council of Public Accounts Committees would hold its Seventh Annual Meeting in July 1985 in Whitehorse, Yukon, and asked the Members to make a decision on sending a small contingent to the Conference.
- The Committee decided to reflect on the matter and to make known its decision at a later meeting.
- The following documents were filed with the Clerk of the Committee as Exhibits:
- Exhibit No. 88 - PAC BUSINESS, JANUARY 1984 - PRESENT:
List from the Committee's Research Officer giving a summary of the items dealt with by the Committee from January 1984 to the present.
 - Exhibit No. 89 - REPORT ON MEETINGS IN LONDON, ENGLAND:
Summary account of the Committee's meetings in London, England, October 1 - 4, prepared by the Committee's Research Officer.
- ADJOURNMENT: At 11:33 o'clock a.m. the Committee adjourned until October 25, 1984.


Franco Carrozza
Clerk of the Committee

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 32

THURSDAY, OCTOBER 25, 1984

ORDER: The Committee met at 10:14 o'clock a.m. this day, the Chairman, Mr. P. Reid, presiding.

ATTENDANCE: Members of the Committee present: Messrs. Bradley, Eves, Havrot, Kennedy, Kolyn, Philip, P. Reid, Sargent, Mrs. Scrivener, Mr. Wildman.

Witnesses: From the Management Board of Cabinet: Ms. G. Gillespie, Senior Policy Advisor; Ms. V. Gibbons, Executive Co-ordinator, Management Policy Division.

In attendance: From the Office of the Provincial Auditor: Mr. D. Archer Provincial Auditor.

Ms. E. Gardiner, Research Officer.

PROCEEDINGS: The Committee reviewed the Provincial Auditor's Report 1983, Section 4.2: Accountability of Crown Agencies.

The witnesses answered questions.

After some time, the Chairman reported that he had received a request from the Canadian Council of Public Accounts Committees that Ontario's delegation to the Conference in Whitehorse, Yukon, be kept small.

It was agreed that the Ontario delegation would consist of the Chairman, one Member from each Caucus, the Clerk and the Research Officer, a total of 6.

The Chairman requested that the Committee respond to the Provincial Auditor's letters relating to the Press and the Provincial Auditor's Annual Report.

The Committee agreed that it would be useful to the Members to be informed of the contents of the Report before its release, but that it should be in a "lock up situation".

The Chairman requested that the Committee adjourn until November 22, 1984 to allow the Research Officer to prepare the Committee's Report. The Committee agreed but requested that the schedule be flexible to allow the new Chairman to meet with the Committee before that date, if necessary.

The Chairman called Mr. Philip's notice of motion.

Mr. Philip moved, - That the Standing Committee on Public Accounts call before it, prior to the Christmas recess, the Deputy Minister of Revenue to explain what new auditing procedures have been implemented as a result of the recommendations of the report of the Clarkson Gordon Commission - An Evaluation of the Small Business Development Corporation Program, February 1984; and that the Provincial Auditor of Ontario be requested to meet with the appropriate Ministry of Revenue officials and report to the Committee regarding the adequacy or inadequacies of auditing procedures with regard to this program.

The Committee agreed to hear the motion at its next meeting.

Having completed its regular business, Mr. Wildman moved, - That the Committee express its great thanks to Mr. P. Reid for his service to the Public Accounts Committee.

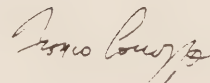
Carried unanimously.

The following documents were filed with the Clerk of the Committee as Exhibits:

- Exhibit No. 90 - ACCOUNTABILITY OF CROWN AGENCIES:
Background paper prepared by the
Committee's Research Officer on
the Provincial Auditor's Report 1983,
Section 4.2: Accountability of Crown
Agencies.
- (Exhibit No. 28 - A report on Crown Corporations in
Selected Canadian Provinces, submitted
by the Management Board Secretariat - filed
April 26, 1984.)
- (Exhibit No. 56 - OFFICE OF THE PROVINCIAL AUDITOR:
Letter dated July 30, 1984 from
D. Archer, and backup material relating
to the reporting practices of the
Office of the Provincial Auditor -
filed September 17, 1984.)
- Exhibit No. 91 - THE CONSERVATIVE MANIFESTO 1983:
Material forwarded by Ontario House,
London, England, relating to Jobs, Prices and
Unions in the United Kingdom.
- Exhibit No. 92 - THE NATIONALISED INDUSTRIES:
White Paper on nationalised industries in the
United Kingdom, forwarded by Ontario House,
London, England.
- Exhibit No. 93 - ENERGY TRENDS:
Bulletin dated September 1984 from the
British Department of Energy, forwarded by
Ontario House, London, England.
- Exhibit No. 94 - PROOF OF EVIDENCE FOR THE SIZEWELL 'B'
PUBLIC ENQUIRY:
Material relating to the British Department
of Energy, October 1982; forwarded by
Ontario House, London, England.
- Exhibit No. 95 - ONTARIO HYDRO:
Letter dated October 12, 1984, from
Mr. M. Nastich, President of Ontario Hydro.

ADJOURNMENT:

At 11:35 o'clock a.m. the Committee adjourned until Thursday,
November 15, 1984.



Franco Carrozza
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 33

THURSDAY, NOVEMBER 15, 1984

ORDER: The Committee met at 10:15 o'clock a.m. this day for the purpose of organization.

ATTENDANCE: Members of the Committee present: Messrs. Bradley, Elston, Epp, Eves, Havrot, Kennedy, Kolyn, Philip, Sargent, Mrs. Scrivener, Messrs. J. Taylor, Wildman.

In attendance: From the Office of the Provincial Auditor: Mr. D. Archer, Provincial Auditor; Mr. K. Leishman, Director, Reporting and Standards Branch; Mr. J. Sciarra, Auditor, Reporting and Standards Branch.

Ms. E. Gardiner, Research Officer.

PROCEEDINGS: The Clerk of the Committee presided over the election of the Chairman of the Committee.

Mr. Epp moved, - That Mr. M. Elston do take the Chair of the Committee as Chairman.

The question being put on the motion, it carried.

The Chairman took the Chair.

The Chairman proceeded with the items of business.

The Committee received the Provincial Auditor's Report on Rygate Homes Inc.

After some debate, it was agreed that officials of the Ministry of Municipal Affairs and Housing should be invited to assist the Committee in its review of the Rygate Homes Inc. subdivision agreements, scheduled for the next meeting of the Committee.

The Chairman requested an update on the Algonquin College report from the Provincial Auditor.

The Provincial Auditor informed the Committee that the report would be completed next week and presented to the Committee at that time.

The Chairman informed the Committee that some rough drafts of the Annual Report would be made available to the Members next week and that the Members should also note that the Committee might require extra meeting time.

The Chairman informed the Committee that Mr. Philip's motion would be dealt with at the next meeting.

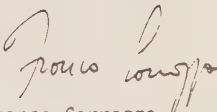
The following documents were filed with the Clerk of the Committee as Exhibits:

Exhibit No. 96 - RYGATE HOMES INC.:
The Provincial Auditor's Report on the Ministry of Municipal Affairs and Housing's approval and administration of Rygate Homes Inc. subdivision agreements.

- 2 -

Exhibit No. 97 - ONTARIO LOTTERY CORPORATION:
Letter dated October 22, 1984, from
Mr. D.N. Morris, President of the
Ontario Lottery Corporation.

ADJOURNMENT: At 10:35 o'clock a.m. the Committee adjourned until Thursday,
November 22, 1984.


Franco Carrozza
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 34

THURSDAY, NOVEMBER 22, 1984

ORDER: The Committee met at 10:05 o'clock a.m. this day, the Chairman, Mr. Elston, presiding.

ATTENDANCE: Members of the Committee present: Messrs. Bradley, Elston, Epp, Eves, Havrot, Kennedy, Kolyn, Philip, Sargent, Mrs. Scrivener, Mr. Wildman.

Witnesses: From the Ministry of Municipal Affairs and Housing: Mr. W. Cornell, Deputy Minister; Mr. G. Church, General Manager, Corporate Resources Management; Mr. R. W. Riggs, Assistant Deputy Minister, Real Estate; Mr. M. G. Farrow, Assistant Deputy Minister, Community Planning; Mr. L. Fincham, Director, Plans Administration Branch.

In attendance: From the Office of the Provincial Auditor: Mr. D. Archer, Provincial Auditor; Mr. K. Leishman, Director, Reporting and Standards Branch; Mr. J. Sciarra, Auditor.

Ms. E. Gardiner, Research Officer.

PROCEEDINGS: The Chairman called the first item of business - the review of the Provincial Auditor's report on Rygate Homes Inc.

The witnesses answered questions.

After some time, the Provincial Auditor filed a report on Algonquin College.

The Provincial Auditor made a statement.

The Chairman distributed a draft copy of the Committee's report and requested that the Members review the report and be prepared to meet to finalize its contents.

The Chairman called upon Mr. Philip to move his motion.

Mr. Philip moved, - That the Standing Committee on Public Accounts call before it prior to the Christmas recess the Deputy Minister of Revenue to explain what new auditing procedures have been implemented as a result of the recommendations of the report of the Clarkson Gordon Commission - An Evaluation of the Small Business Development Corporation Program, February 1984; and that the Provincial Auditor of Ontario be requested to meet with the appropriate Ministry of Revenue officials and report to the Committee regarding the adequacy or inadequacies of auditing procedures with regard to this program.

After some debate, Mrs. Scrivener moved an amendment, - That the words in the second line "prior to the Christmas recess" be deleted and the following words inserted in lieu thereof "during the winter session".

After some debate, the amendment carried.

The motion as amended carried.

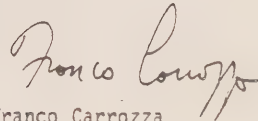
The following documents were filed with the Clerk of the Committee as Exhibits:

Exhibit No. 98 - ALGONQUIN COLLEGE:
Provincial Auditor's Report on
Algonquin College - Report on
Specific Financial Matters.

- 2 -

ADJOURNMENT:

At 12:00 o'clock noon, the Committee recessed until Thursday,
November 29, 1984.

A handwritten signature in cursive script, appearing to read "Franco Carrozza".

Franco Carrozza
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 35

THURSDAY, NOVEMBER 29, 1984

ORDER:

The Committee met at 10:07 o'clock a.m. this day, the Chairman, Mr. Elston, presiding.

ATTENDANCE:

Members of the Committee present: Messrs. Bradley, Elston, Epp, Eves, Havrot, Kennedy, Kolyn, Philip, Mrs. Scrivener.

Member, not of the Committee, present: Mr. Conway.

In attendance: From the Office of the Provincial Auditor: Mr. D. Archer, Provincial Auditor; Mr. J. Sciarra, Auditor, Reporting and Standards Branch.

Ms. E. Gardiner, Research Officer.

PROCEEDINGS:

The Committee proceeded with its regular business.

The Chairman informed the Members that there would be a delay with regard to the draft report of the Committee.

The second item: The Provincial Auditor informed the Members that the second part of the Algonquin College report would not be ready on December 6, 1984.

After some debate, it was agreed that the Provincial Auditor's report on Algonquin College should be filed on January 15, 1985.

With regard to the filing of the Provincial Auditor's Annual Report, the Provincial Auditor requested guidance from the Committee.

After some debate, Mr. Bradley moved, - That the lock up consist of Members of the Committee, one research person from each political party, and members of the news media.

After some debate, the question being put on the motion, it was defeated by a show of hands: AYES - 3; NAYS - 5.

Mr. Epp moved, - That for the purposes of the Auditor's lock up each political party be permitted to have one researcher present.

After some debate, the question being put on the motion, it was defeated by a show of hands: AYES - 3; NAYS - 5.

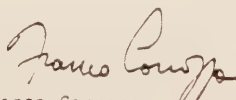
It was agreed that for the purposes of the lock up the only individuals permitted to be present would be the Members, the Clerk and the Research Officer of the Committee.

The Committee discussed the possibility of utilizing extra meeting time to complete its Annual Report.

After some time, it was agreed to schedule tentatively, pending the House Leaders' approval, extra meetings to complete the Committee's Annual Report on Tuesday, December 4, 1984 at 8:00 p.m. and Thursday, December 6, 1984 at 8:00 p.m.

ADJOURNMENT:

At 10:57 o'clock a.m. the Committee adjourned until Thursday, December 6, 1984.


Franco Carrozza
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 36

THURSDAY, DECEMBER 6, 1984

ORDER: The Committee met at 10:05 o'clock a.m. this day, the Chairman, Mr. Elston, presiding.

ATTENDANCE: Members of the Committee present: Messrs. Bradley, Elston, Epp, Havrot, Kolyn, Philip, Sargent, Mrs. Scrivener, Mr. Wildman.

Substitution: Mr. Lane for Mr. Kennedy.

In attendance: From the Office of the Provincial Auditor: Mr. D. Archer, Provincial Auditor; Mr. J. Sciarra, Auditor, Reporting and Standards Branch.

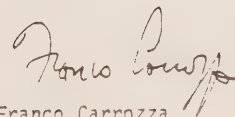
Ms. E. Gardiner, Research Officer.

PROCEEDINGS: The Committee met in camera to review its annual report.

Mr. Kolyn moved, - That the Committee meet for three weeks in February 1985:

- (1) February 4 to 8 - to complete the Committee's Annual Report;
- (2) February 11 to 15 - to review the Provincial Auditor's Report on Algonquin College;
- (3) February 18 to 22 - to complete any outstanding work and to organize the Committee's 1985 agenda.

ADJOURNMENT: At 12:00 o'clock noon the Committee adjourned until December 13, 1984.



Franco Carrozza
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 37

THURSDAY, DECEMBER 13, 1984

ORDER:

The Committee met at 10:10 o'clock a.m. this day, the Chairman, Mr. Elston, presiding.

ATTENDANCE:

Members of the Committee present: Messrs. Bradley, Elston, Eves, Havrot, Kennedy, Kolyn, Philip, J. Taylor, Sargent, Mrs. Scrivener, Mr. Wildman.

Substitution: Mr. Peterson for Mr. Epp.

In attendance: From the Office of the Provincial Auditor:
Mr. D. Archer, Provincial Auditor.

Ms. E. Gardiner, Research Officer.

PROCEEDINGS:

Prior to the Committee's commencing its regular business, the Chairman permitted Mr. Kolyn to request the Provincial Auditor to clarify a statement reported in the media and attributed to him.

The Provincial Auditor proceeded to clarify his statement and answered questions.

A debate followed.

After some time, Mr. Peterson moved, - That this Committee express its support of the Auditor in his efforts to carry out his responsibilities without political interference and that the Committee support Mr. Archer's right to speak out on issues within his mandate.

After some debate, the motion carried unanimously.

Further, Mr. Sargent moved, - That, in future and whenever there is evidence brought forward by the Auditor of misspending and questionable practices, all Members show cause why they will not support further investigation.

Mr. Kennedy moved an amendment, stating that the words "as in the past" be inserted after the words "in future" in the first line.

Mrs. Scrivener, on a point of order, suggested that Mr. Sargent's motion was out of order since she considered it one of policy and therefore required one week's notice as stated in the Committee's own rules.

A debate followed.

After some time, the Chairman ruled as follows:

"I have consulted with my advisor, and it is my opinion that this is a matter for each individual Member with respect to how he addresses a request by the Auditor to have certain matters dealt with in the Committee. In that sense, it is a procedure that has to be dealt with by each Member. It is a request to show cause by each individual Member."

He considered the motion to be in order.

After some debate, the Chairman called for a vote on Mr. Kennedy's amendment.

- 2 -

Mrs. Scrivener requested a recess under S.O. 89 (c).

The Committee recessed at 11:14 o'clock a.m. until 11:37 o'clock a.m.

At that time, the Chairman called for a vote on Mr. Kennedy's amendment. It was defeated on the following division:

AYES:

Mr. Kennedy - 1.

NAYS:

Messrs. Bradley	Messrs. Philip	
Eves	Sargent	
Havrot	Mrs. Scrivener	
Kolyn	Messrs. J. Taylor	
Peterson	Wildman	- 10.

The Chairman called for a vote on Mr. Sargent's motion. It was defeated on the following division:

AYES:

Messrs. Bradley	Messrs. Philip	
Peterson	Wildman	
Sargent		- 5.

NAYS:

Messrs. Eves	Mr. Kolyn	
Havrot	Mrs. Scrivener	
Kennedy	Mr. J. Taylor	- 6.

After some time, Mr. Sargent moved, - That, in view of the fact that further investigation of the findings of the Provincial Auditor has been blocked by Government Members, from this date forward each Member who votes against further investigation of such findings be asked to show cause why he will not support further investigation.

The Chairman found the motion to be out of order, stating that it was substantially the same motion that had just been defeated.

He considered the matter closed.

He called for the next item on the agenda.

The Committee proceeded to deal with the matter of the release of the Provincial Auditor's Annual Report, specifically with a letter from the President of the Legislative Assembly Press Gallery requesting that the media be permitted to participate in the process of the "lock up" prior to the report's release so that they would be better prepared to report on its contents.

After some debate, Mr. Bradley moved, - That this Committee adopt the same procedure followed with regard to the Budget, to enable the news media, all Members of the House and the staff to attend a "lock up" preview of the Auditor's Report.

After further debate, the Chairman found that he could not accept the motion. He stated: "I do not think that this is part of the procedure of this Committee that we adopt the motion. I cannot find that it is in order for us because this motion becomes an advisory motion to the Provincial Auditor. It is his report, we can only advise him of our request and he must decide."

It was requested that the Provincial Auditor investigate the matter and report back his findings as to how best to approach and resolve the matter for the Committee's next meeting.

Exhibit No. 99 - DATELINE ONTARIO - DECEMBER 6, 1984:
Partial transcript of interview with
the Provincial Auditor by Dateline Ontario.

Exhibit No. 100 - ONTARIO HYDRO - PROVINCIAL AUDITOR:
Partial transcript of interview with
the Provincial Auditor by John Valorzi of
Dateline Ontario re Ontario Hydro.

At 12:04 o'clock p.m. the Committee adjourned until further notice.

James Cowper

Franco Carrozza
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 38

TUESDAY, FEBRUARY 5, 1985

ORDER:

The Committee met at 2:10 o'clock p.m. this day, the Acting Chairman, Mr. Epp, presiding.

ATTENDANCE:

Members of the Committee present: Messrs. Bradley, Epp, Elston, Eves, Havrot, Kennedy, Kolyn, Philip, Mrs. Scrivener, Mr. Wildman.

Substitution: Mr. J. Johnson for Mr. J. Taylor.

In attendance: From the Office of the Provincial Auditor: Mr. D. Archer, Provincial Auditor; Mr. J. Sciarra, Assistant to the Provincial Auditor.

Ms. E. Gardiner, Research Officer.

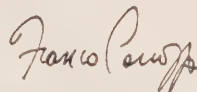
PROCEEDINGS:

The Committee reviewed its Annual Report in camera.

At 2:20 o'clock p.m. the Chairman assumed the Chair.

ADJOURNMENT:

At 4:10 o'clock p.m. the Committee adjourned until Wednesday, February 6, 1985.



Franco Carrozza
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 39

WEDNESDAY, FEBRUARY 6, 1985

ORDER:

The Committee met at 10:14 o'clock a.m. this day, the Chairman, Mr. Elston, presiding.

ATTENDANCE:

Members of the Committee present: Messrs. Bradley, Epp, Elston, Eves, Havrot, Kennedy, Kolyn, Philip, Sargent, Mrs. Scrivener, Mr. Wildman.

Substitution: Mr. J. Johnson for Mr. J. Taylor.

In attendance: From the Office of the Provincial Auditor: Mr. K. Leishman, Director, Reporting and Standards Branch; Mr. J. Sciarra, Assistant to the Provincial Auditor.

Ms. E. Gardiner, Research Officer.

PROCEEDINGS:

The Committee met in camera to review its Annual Report.

Mr. Philip gave notice of a motion:

We would like to request that the following persons be invited to appear at the Public Accounts Committee which is a Review of the Provincial Auditor's Report on Algonquin College, February 12, 13, 14, 1985:- Algonquin Col.

*Dr. Robert Lyle, Director of Physical Plant
Mr. Mike Dash, Manager - Cafeteria Services
Mr. Clarence Payne, Director of Computer Services
Dr. Ash and Dr. Isabell, Past Pres.
T.W. Mather, Past Financial Officer
Mr. Stephen Bancroft, Vice Pres. of Administration and Finance.*

Some debate followed, during which it was decided to permit the Clerk to approach the Deputy Minister of Colleges and Universities to enquire about the individuals and report back.

At 12:15 o'clock p.m. the Committee recessed until 2:11 o'clock p.m.

The Committee requested that the Clerk contact the Owen Sound Transportation Company regarding their report comparing the operation of the Chi-Cheemaun to four other ferry operations in Canada and, if possible, obtain a copy of the report.

The following documents were filed with the Clerk of the Committee as Exhibits:

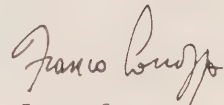
Exhibit No. 101 - FORREST GLEN SUBDIVISION:
Letter dated December 17, 1984 received from the Deputy Minister of Municipal Affairs and Housing regarding the investigation into the Forrest Glen Subdivision - Township of Striker.

Exhibit No. 102 - ALGONQUIN COLLEGE:
Second Report on Algonquin College of Applied Arts and Technology, entitled "Report on the Historical and Current Management of the Financial and Administrative Systems".

- 2 -

ADJOURNMENT:

At 4:00 o'clock p.m. the Committee adjourned until Thursday,
February 7, 1985.



Franco Carrozza
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 40

THURSDAY, FEBRUARY 7, 1985

ORDER: The Committee met at 10:15 o'clock a.m. this day, the Chairman, Mr. Elston, presiding.

ATTENDANCE: Members of the Committee present: Messrs. Bradley, Elston, Epp, Eves, Havrot, Kennedy, Kolyn, Philip, Sargent, Mrs. Scrivener, Mr. Wildman.

Substitution: Mr. J. Johnson for Mr. J. Taylor.

In attendance: From the Office of the Provincial Auditor: Mr. K. Leishman, Director, Reporting and Standards Branch; Mr. J. Sciarra, Assistant to the Provincial Auditor.

Ms. E. Gardiner, Research Officer.

PROCEEDINGS: The Committee met in camera to review its Annual Report.

The Clerk reported his findings to the Committee regarding Mr. Philip's Notice of Motion.

First, the Deputy Minister of Colleges and Universities will be assisted by Mr. P. Killeen, President of Algonquin College of Applied Arts and Technology; Mr. P. Bajaj, Director of Finance and General Services (Internal Auditor of the College); Dr. H. Nesbitt, Chairman of the Board of Governors of the College; Mr. R. Myron, Vice President of Administration and Finance of the College, and other staff.

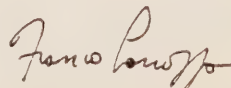
Second, the Deputy Minister provided information regarding the other individuals who were no longer employed by the Ministry and the College: Dr. L. Isabell; Dr. B. Ash; Mr. T.W. Mather; and Mr. S. Bancroft.

The Clerk was requested to contact the four individuals and enquire if they could be available to assist the Committee.

At 12:00 o'clock noon the Committee recessed until 2:10 o'clock p.m.

The Committee continued to review its Annual Report.

ADJOURNMENT: At 2:45 o'clock p.m. the Committee adjourned until Tuesday, February 12, 1985.



Franco Carrozza
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 41

TUESDAY, FEBRUARY 12, 1985

ORDER: The Committee met at 10:10 o'clock a.m. this day, the Chairman, Mr. Elston, presiding.

ATTENDANCE: Members of the Committee present: Messrs. Bradley, Elston, Havrot, Kennedy, Kolyn, Philip, Mrs. Scrivener, Mr. Allen.

Substitutions: Mr. J. Johnson for Mr. J. Taylor; Mr. D. Wiseman for Mr. Eves; Mr. Conway for Mr. Sargent.

Member, not of the Committee, present: Mr. Sterling.

Witnesses: From the Ministry of Colleges and Universities: Dr. G. Podrebarac, Deputy Minister; Mr. J. Humber, Director, College Affairs Branch.

From Algonquin College of Applied Arts and Technology: Mr. P. Killeen, President; Dr. H. Nesbitt, Chairman, Board of Governors; Mr. R. Myron, Vice President - Finance; Mr. P. Bajaj, Director - Finance and General Services.

In attendance: From the Office of the Provincial Auditor: Mr. D. Archer, Provincial Auditor; Mr. M. Teixeira, Director - Social Development Policy Field; Mr. R. Chiu, Auditor; Mr. G. Calderwood, Audit Manager, Reporting and Standards Branch; Mr. J. Sciarra, Assistant to the Provincial Auditor; Mr. W. Bordne, Auditor, Resources Development Policy Field.

Ms. E. Gardiner, Research Officer.

PROCEEDINGS: The Committee commenced its review of the Provincial Auditor's Reports on Algonquin College of Applied Arts and Technology with an in camera briefing by the Provincial Auditor.

The Committee unanimously permitted Mr. Sterling to be present at its in camera briefing.

At 12:16 o'clock p.m. the Committee recessed until 2:15 o'clock p.m.

The Committee met in camera to review its recommendations on the Annual Report.

After some time, Mr. Kolyn moved, - That the Chairman be authorized to present the Committee's 1984 Report to the House and move the adoption of its recommendations.

Carried.

At 2:30 o'clock p.m. the Committee proceeded to review in open session the Provincial Auditor's Reports on Algonquin College.

The Chairman permitted Mr. Conway to table notice of six motions to be dealt with next week.

Motion No. 1 to be moved by Mr. Conway stated that:

Listed in the 1983-84, 1982-83 and 1981-82 Public Accounts are payments worth over \$100,000 to T. Owen and Associates by the Ministry of Labour. These contracts were split up into 7 separate contracts. The Executive Director of the Ministry has admitted in a press interview that at least five of the 'contracts' were awarded without tenders.

The Deputy-Minister of Labour refused to discuss details of why these

- 2 -

contracts were split up and awarded without tenders or exemption from Management Board since according to the deputy "we don't want a debate in the press".

In view of the auditor's concerns in his year end report about adherence to the Manual and in view of the recent observation by the Price-Waterhouse study that:

"Accountability relationship of ministries with Management Board are an internal tool of the executive; they are not a substitute for the public accountability of ministers and Cabinet to the Legislature and through it to the public." (Page 5.)

Therefore I move that we respectfully request the attendance of the Minister and his deputy and any other officials of his Ministry he may wish to bring to come before this committee to explain the particulars of this contract.

Motion No. 2 to be moved by Mr. Conway stated that:

Listed in the 1982-83 Public Accounts is a payment by the Ministry of Municipal Affairs and Housing for \$40,398 to a firm called Advanced Municipal Systems.

The contract was split up into four projects each under \$15,000, yet the Ministry says the four contracts were "four distinct projects".

Yet, in a Globe interview, Charles Bens, President of Advanced Municipal Systems, said the four contracts were related.

Therefore, I move that we respectfully request the attendance of the Minister, his deputy and any other officials of his Ministry he may wish to bring to come before this committee to explain the particulars of these four projects.

Motion No. 3 to be moved by Mr. Conway stated that:

Listed in the 1982-83 Public Accounts is a payment of \$84,441 to Thacker & Associates by the Ministry of Health.

The contract was split up into seven untendered contracts which the Ministry maintains were separate, but they did have cost overruns. The Ministry has stated in a letter to the Leader of the Opposition that the seven projects did "relate to the same general issue" but were "individually defined".

Therefore, I move that we respectfully request the attendance of the Minister, his deputy and any other officials of the Ministry he may wish to bring to explain the particulars of this contract.

Motion No. 4 to be moved by Mr. Conway stated that:

According to an article in the Toronto Star, January 7, 1985, the Ministry of Government Services violated the guidelines of the Manual of Administration by selling off land without offering it to other government ministries and municipalities.

(The Deputy Minister of Government Services was a member of the Steering Committee that helped prepare the \$370,000 Price-Waterhouse, Canada Consulting Group Study of Management and Accountability in the Government of Ontario released last week.)

- 3 -

I move that we respectfully request the attendance of the Minister, the deputy and any other officials they may wish to bring to explain the details behind the violation of the Manual guidelines on the selling of surplus lands.

Motion No. 5 to be moved by Mr. Conway stated that:

According to the 1982-83 Public Accounts, the Ministry of Industry and Trade paid \$55,823 to W. Winegard and Associates to develop a business plan for the Ontario Centre for Farm Machinery and Food Processing Technology.

The contract to Mr. Winegard, now the Conservative MP for Guelph, was awarded without tenders.

Cabinet approved this arrangement "due to the special nature of the requirement and the qualifications of the firm".

Therefore, I move that we respectfully request the new Minister and his deputy, (who in September violated the Manual's guidelines on political activity and the rules governing the use of executive automobiles) to come before this committee and explain the "special nature" of this contract and the special qualifications of Mr. Winegard to justify exemption from tendering.

Motion No. 6 to be moved by Mr. Conway stated that:

The release of the long-awaited Study of Management and Accountability in the Government of Ontario has raised some disturbing suggestions.

At first glance, I note the report was six months overdue, \$80,000 over what the Legislature and the public were told it would cost, and after this \$370,000 report was completed, one of the members of the Steering Committee, who according to the report rendered "invaluable assistance" is responsible for the Ministry of Government Services, which was found to have violated the guidelines of the Manual in January of this year.

The report notes that the:

"accountability relationship and methods are unclear between the Board and the deputies."

"more attention needs to be paid to following the rules as well as getting things done."

"The Management Standards Project was not implemented due to the "absence of strong backing for Ministry efforts through staff assistance, training courses and budgeted funds, has been an inhibiting factor in implementation."

"The neutrality of the Ontario public service is under attack from many sides."

The public service may be "skipping a generation".

In view of these wide-ranging observations and recommendations in this report, which are of concern to all members of this Legislature and to the public, I move that we respectfully request the attendance of the authors of the report and members of the steering committee to discuss the report and its conclusions in a

- 4 -

non-partisan and constructive atmosphere, in order that the accountability and management practices in the Ontario government can be improved with the input of members of the elected representatives of the Ontario public.

The Chairman called upon the Clerk to report on the status of his enquiry into locating certain witnesses:

The Clerk stated that he was unable to locate Dr. B. Ash - he was last known to be somewhere on the East Coast of Canada; he had left no forwarding address.

With regard to Mr. T. W. Mather, Financial Officer - he was on holiday and could not attend the meetings.

With regard to Mr. S. Bancroft - despite repeated attempts to reach him by telephone, no contact was made with him.

However, Dr. L. Isabell would be available to meet with the Committee.

The other three individuals are employed by the Ministry of Colleges and Universities and a request was made to the Deputy Minister that he include them in his delegation.

The Chairman called upon Mr. Philip to move his motion.

Mr. Philip moved, - That the Committee request the following persons to appear at the review of the Provincial Auditor's Report on Algonquin College, February 12, 13, 14, 1985:

Algonquin College:

Dr. Robert Lyle, Director of Physical Plant
Mr. Mike Dash, Manager - Cafeteria Services
Mr. Clarence Payne, Director of Computer Services
Dr. Ash and Dr. Isabell, Past Pres.
T.W. Mather, Past Financial Officer
Mr. Stephen Bancroft, Vice President of Administration
& Finance.

Dr. R. Allen moved an amendment, - That the following names be added after Mr. Stephen Bancroft

Ms. Bev Allen, President, Support Staff Union
Ms. Georgina Hancock, President - Faculty Union.

After some debate, the question being put on the amendment, it was defeated: AYES- 4; NAYS - 6.

After some debate on the motion, it was defeated: AYES - 4; NAYS - 6

The Committee proceeded to hear the Deputy Minister of Colleges and Universities. He made a statement and answered questions.

The Committee agreed to meet in camera on the morning of Wednesday, February 13, 1985, and to meet in open session in the afternoon.

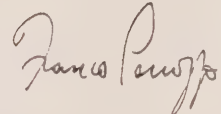
The following documents were filed with the Clerk of the Committee as Exhibits:

- Exhibit No. 103 - Background Paper on the Algonquin College Review prepared by the Committee's Research Officer.
- Exhibit No. 104 - Opening Statement by the Deputy Minister of Colleges and Universities to the Committee regarding Algonquin College.

- 5 -

ADJOURNMENT:

At 4:35 o'clock p.m. the Committee adjourned until Wednesday, February 13, 1985.

A handwritten signature in cursive script, appearing to read "Franco Carrozza".

Franco Carrozza
Clerk of the Committee

CA20N
XC 21
- P71



Standing Committee on Public Accounts

1985 and 1986 Report



2nd Session 33rd Parliament
36 Elizabeth II



LEGISLATIVE ASSEMBLY
ASSEMBLÉE LÉGISLATIVE

Queen's Park
February 1987

The Honourable Hugh Edighoffer, M.P.P.,
Speaker of the Legislative Assembly.

Sir,

Your Standing Committee on Public Accounts has the honour to present its
Report and commends it to the House.

A handwritten signature in dark ink, reading "Robert Runciman".

Robert Runciman, M.P.P.,
Chairman.

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEMBERSHIP AS OF WEDNESDAY, 29 OCTOBER 1986

ROBERT W. RUNCIMAN
Chairman

BILL BARLOW

ROBERT CALLAHAN

WILLIAM C. DAVIS

HERBERT EPP

PHILIP A. GILLIES

REMO MANCINI

ED PHILIP

ALAN W. POPE

DAVID W. SMITH

BUD WILDMAN

Douglas Arnott
Clerk of the Committee

Helen Burstyn Fritz
Research Officer

Patrick Malcolmson
Research Officer

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEMBERSHIP AS OF THURSDAY, 1 MAY 1986

MICHAEL D. HARRIS
Chairman

HERBERT EPP

RICK E. FERRARO

PHILIP A. GILLIES

JAMES K. GORDON

ED PHILIP

CLAUDIO POLSINELLI

ALAN W. POPE

ROBERT W. RUNCIMAN

DAVID W. SMITH

BUD WILDMAN

Membership Changes

Mr. Runciman - Elected Chairman, June 5, 1986

Mr. Gregory for Mr. Gordon (July 7, 1986)

Mr. Miller (Haldimand-Norfolk) for Mr. Polsinelli (July 10, 1986)

Mr. Barlow for Mr. Gregory (October 15, 1986)

Mr. Davis for Mr. Harris (October 15, 1986)

Mr. Mancini for Mr. Miller (Haldimand-Norfolk) (October 15, 1986)

Mr. Ramsay for Mr. Ferraro (October 15, 1986)

Mr. Callahan for Mr. Ramsay (October 29, 1986)

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEMBERSHIP AS OF WEDNESDAY, 12 FEBRUARY 1986

MICHAEL D. HARRIS
Chairman

GEORGE ASHE

NICHOLAS LELUK

JOSEPH CORDIANO

ED PHILIP

HERBERT EPP

ROBERT RUNCIMAN

RICK E. FERRARO

DAVID W. SMITH

PHILIP A. GILLIES

BUD WILDMAN

Substitute Members - 1986

Philip W. Andrewes
Leo Bernier
Maurice Bossy
Marion Bryden
Robert V. Callahan
Joseph Cordiano
Susan Fish
Jim Foulds
Bud Gregory
Christine Hart
James D. Henderson
Mickey Hennessy
Don S. Knight
John Lane
Floyd Laughren
Remo Mancini
Elie W. Martel
David J. McFadden
James McGuigan
Allan McLean

Gordon I. Miller
Terrance P. O'Connor
John F. Pierce
Jean Poirier
Jim Pollock
Claudio Polsinelli
David Ramsay
David Reville
Earl W. Rowe
Yuri Shymko
David W. Smith
Larry South
Bette M. Stephenson
Norman W. Sterling
K. Ross Stevenson
Noble Villeneuve
Christopher C. Ward
Douglas J. Wiseman
Paul J. Yakabuski

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEMBERSHIP AS OF THURSDAY, 11 JULY 1985

ERNIE E. EVES
Chairman

JOSEPH CORDIANO

HERBERT EPP

PHILIP A. GILLIES

MICHAEL D. HARRIS

NICHOLAS LELUK

ED PHILIP

CLAUDIO POLSINELLI

ROBERT W. RUNCIMAN

DAVID W. SMITH

BUD WILDMAN

Membership Changes

Mr. Ashe for Mr. Harris (October 25, 1985)

Mr. Harris for Mr. Eves (December 6, 1985)
Elected Chairman (December 10, 1985)

Mr. Ferraro for Mr. Polsinelli (January 9, 1986)

Substitute Members - 1985

Bill Barlow
Maurice Bossy
Sean G. Conway
David Cooke (Kitchener)
William Davis
Rick E. Ferraro
Susan Fish
Mickey Hennessy
William Hodgson

Jack Johnson
Robert MacQuarrie
James McGuigan
Bob McKessock
Jean Poirier
David Reville
Douglas J. Wiseman
Paul J. Yakabuski

TABLE OF CONTENTS

	<u>PAGE</u>
PREFACE	i
SUMMARY OF RECOMMENDATIONS	iii
SUMMARY OF HEARINGS	
MINISTRY OPERATIONS	1
Ministry of Agriculture and Food: Tendering Practices and Other Matters	2
Ministry of the Attorney General: County and District Courts Activity	6
Ministry of Education: Private Schools, Curriculum Matters and Data Processing Services	10
Ministry of Government Services: Management of Government Property	12
Ministry of Health: Nursing Homes	17
Ministry of the Solicitor General: OPP Management Controls	20
Ministry of Transportation and Communications: Highway Maintenance	24
CROWN AGENCY OPERATIONS	27
Office of the Assembly: Election Administration	28
Ontario Housing Corporation: Security Services	33
Ontario Lottery Corporation: Distributorships and Other Matters	37

	<u>PAGE</u>
SPECIAL REVIEWS	41
Algonquin College of Applied Arts and Technology, Ottawa	42
Domed Stadium Finances	44
Ministry of Natural Resources, Forest Management Activity	49
Urban Transportation Development Corporation	55
Ontario Pavilion, Expo '86	60
Workers' Compensation Board Matters	63
Industrial Accident Prevention Association	64
Farm Safety Association	69
Mines Accident Prevention Association of Ontario	71
Construction Safety Association of Ontario	73
Downsview Rehabilitation Centre	75
Allegation of Conflict of Interest Concerning Elinor Caplan, MPP	78
IDEA Corporation Investments	86
Retirement of the Clerk	89
Provincial Court Facilities and Management of Government Properties	92
COMMITTEE PROCEDURES AND OPERATIONS	93
Appointment and Powers of the Committee	94
Committee Membership	94
Committee Meetings	95
Role and Responsibilities of the Committee	96
The Provincial Auditor's Role in the Committee Process	97
Expanding Role of the Committee and the Provincial Auditor	98
Canadian Council of Public Accounts Committees, Annual Meetings	99
APPENDICES	
Appendix A: List of Committee Meetings, 1985	
Appendix B: List of Committee Meetings, 1986	

PREFACE

This report records the operations, activities, comments and conclusions of the Standing Committee on Public Accounts during the two-year period commencing January 1985 and ending December 1986. The issuing of a biennial report represents a significant departure from this Committee's established practice of reporting annually to the Legislature. This change in reporting period merits some explanation, which is perhaps best provided through a brief review of the Committee's activities over the past two years.

The Committee's 1984 Annual Report was tabled in the Legislature on March 5, 1985. However, the debate in the House that ordinarily follows the tabling of the Committee's report did not occur as the Legislature was dissolved on March 25, 1985 for the election of a new Legislative Assembly. The activities of the Public Accounts Committee ended with the dissolution of the Legislature on this date.

The Committee was reconstituted with the commencement of the First Session, Thirty-Third Parliament. Its organizational meeting took place on July 11, 1985, the day before the Legislature adjourned for the summer recess. When the Committee met again in August 1985, it had received authorization from the House to hold hearings on the financing arrangements for the construction of a domed stadium. For the remainder of 1985, the Committee reviewed the domed stadium issue and produced an interim report on its findings.

Because of the hiatus in Committee activity during the dissolution and summer recess of the Legislature, and because the major item of Committee business – the domed stadium financing – was reported on by the year's end, the Committee considered it unnecessary to issue an annual report for 1985. The Committee decided instead to combine its 1985 and 1986 reports, and thus produce a substantial biennial report.

The bulk of this biennial report describes the work of the Committee in 1986, which proved to be an exceptionally active and productive year. The Committee reviewed fifteen sections of both the 1984 and 1985 Annual Reports of the Provincial Auditor, which commented on the operations of

various ministries and Crown agencies. In addition, the Committee conducted a sizable number of special reviews that were initiated by motions of the Committee or referred to the Committee by resolution of the Assembly.

The wide range and number of complex issues examined by the Committee over the past two years is noteworthy. This report attempts to document the many and varied items considered by the Committee and to highlight, where applicable, the major concerns expressed and recommendations offered by Committee Members. The Committee also commends those ministries and agencies which were found to operate efficiently or which responded promptly and effectively to problems identified by the Auditor or the Committee. Matters requiring no recommendation or comment are included in this report for purposes of information and reference.

It is customary at this point for the Committee to express its gratitude to those whose assistance has enabled the Committee to function effectively and fulfill its mandate. In keeping with this tradition, the Committee hereby records its thanks to the Provincial Auditor, Mr. Douglas Archer, and his excellent staff for their unfailing co-operation in responding to the Committee's numerous requests; to the Clerk of the Committee, Mr. Douglas Arnott, for his calm and competent administrative work on the Committee's behalf; and to the Committee's Research Officer, Ms Helen Burstyn Fritz, for her valuable assistance in providing briefing materials for the Members and preparing the Committee's reports.

The Committee also acknowledges the co-operation of the many public servants and occasional private sector individuals who have appeared before the Committee as witnesses. Their willingness to share information and respond to the Committee's concerns is greatly appreciated.

SUMMARY OF RECOMMENDATIONS

MINISTRY OF AGRICULTURE AND FOOD

- #1. While the Committee has no objections to the practice of hiring outside consultants to perform studies and other necessary services, the Committee recommends that the Ministry of Agriculture and Food ensure that all applicable guidelines relating to the procurement of external consulting services be fully and consistently followed.

MINISTRY OF THE ATTORNEY GENERAL

- #2. The Committee recommends that the Ministry of the Attorney General make better use of existing courtroom facilities by scheduling more trials for the summer months of July and August and that consideration be given to increasing courtroom use during evening hours.
- #3. The Committee acknowledges that efforts to address legal jurisdictional problems are underway and recommends that there be attempts to have cases heard in locations which are convenient for the accused and other parties involved. The Committee further recommends that remote northern communities in particular be better served by the relocation of smaller courts to these areas.
- #4. The Committee recommends that the Ministry undertake a comparative study of court scheduling and procedures in other jurisdictions, particularly in the United States, to determine how its own system might be improved. The Committee accepts the Ministry's undertaking to provide the Committee with such information once it becomes available.
- #5. The Committee recommends that the Ministry address the problem of an insufficient number of justices of the peace by seeking to have more of these order-in-council appointments filled. The Committee intends to undertake a review, in co-operation with the Provincial Auditor's office, of the appointment process for justices of the peace and consider the advisability of these positions being made subject to a fixed term of office.

MINISTRY OF GOVERNMENT SERVICES

- #6. The Committee recognizes that existing procedures set out in the Ontario Manual of Administration do not enable the Ministry of Government Services to exercise enough direct control over use of space and declaration of surplus space by client ministries. The Committee therefore recommends that the Ministry and Management Board review and seek to amend the Manual to clarify and strengthen the Ministry's control over use of government space.
- #7. The Committee recommends that Management Board enforce more conscientiously the requirement in the Ontario Manual of Administration that ministries file annual reports attesting to the use of all space allocated to them.
- #8. The Committee recommends that accountability for the decisions of all ministries on how their premises are furnished and control over movable assets be strengthened.

MINISTRY OF HEALTH

- #9. The Committee supports the Auditor's recommendation that the Ministry ensure that nursing homes inform residents of costs for uninsured services and receive written authorization from residents before making such charges.
- #10. The Committee also concurs with the Auditor's suggestion that nursing homes be required to justify to the Ministry the fairness of and need for extra charges.
- #11. The Committee recommends that consideration be given to having public extended care services subject to the same inspection system as nursing homes are under the Ministry of Health. Consideration might also be given to combining nursing homes and homes for the aged under one ministry for more consistent application of standards and possible cost effectiveness.

OFFICE OF THE ASSEMBLY

- #12. The Committee agrees with the Chief Election Officer's suggestion that the Election Act should not require that notice of enumeration be mailed to each elector in order that more cost effective methods of giving notice could be implemented. The Committee therefore recommends that the Election Act be amended to allow greater flexibility in the method of giving notice, provided that the exclusive jurisdiction granted to the Canada Post Corporation is not contravened.
- #13. Although the Committee favours the continued use of Notice of Enumeration cards, methods to reduce the considerable costs of producing and providing these cards to voters should be investigated further.

ONTARIO HOUSING CORPORATION

- #14. The Committee recommends that OHC submit all contracts for security services in its housing projects to a competitive tendering process and, further, that OHC ensure that Management Board is advised of the results of a tender call before a contract is awarded.
- #15. The Committee has some concerns about OHC's reliance on private companies to provide security services to its housing projects. The Committee therefore recommends that OHC and Management Board examine the comparative cost and service implications of creating an in-house security service or establishing a Crown corporation to handle security requirements.
- #16. The Committee strongly urges OHC to undertake a comprehensive cost analysis of security incidents and to monitor more closely the types of incidents by project, housing authority and region.
- #17. The Committee recommends that OHC consider methods of verifying reports of security problems to ensure that reporting of incidents is accurate.

ONTARIO LOTTERY CORPORATION

- #18. The Committee recommends that the Ontario Lottery Corporation continue to advertise openings for distributorships and ensure that all qualified applicants are made aware of and considered for these positions.
- #19. Although the Committee does not disapprove of Corporation employees being selected for distributorships when these employees are the most suitable candidates, the Committee feels that appearances of unfair advantage in making appointments should be avoided. The Committee recommends that the Corporation consider developing conflict of interest guidelines to prevent employees from benefitting from their association with the Corporation.

ALGONQUIN COLLEGE OF APPLIED ARTS AND TECHNOLOGY, OTTAWA

- #20. The Committee recommends that the Provincial Auditor do a follow-up audit on Algonquin College by November 1985 and report back to the Committee.
- #21. The Committee recommends that the Provincial Auditor continue to monitor the status of corrective actions taken by the College and the Ministry and keep the Committee informed of significant developments.
- #22. The Committee recommends that the Board of Directors of Algonquin College be restructured to serve the best interests of the College and the public.
- #23. The Committee continues to be concerned about the excessive number of sabbaticals taken by Algonquin College staff and the breaking of rules associated with sabbatical leaves. The Committee therefore recommends that the College attempt to rectify this problem.
- #24. The Committee recommends that there be an internal auditor for Algonquin College and that this auditor have sufficient power and authority to ensure effective control of the College's financial and management systems.

DOMED STADIUM FINANCES

- #25. The Committee recommends that the province's contribution to the financing of the domed stadium not exceed the \$30 million originally committed to the project by former Premier William Davis.
- #26. The Committee recommends that the Stadium Corporation of Ontario continue to report to the Committee any new or amended financing arrangements for the stadium.
- #27. The Committee commends the Stadium Corporation for having enlisted new corporate sponsors for the stadium project and recommends that efforts to seek additional sources of private funding continue.

MINISTRY OF NATURAL RESOURCES

- #28. The Committee recommends that the Ministry of Natural Resources consult on a regular basis with the Ministry of Transportation and Communications regarding the location and construction of roads built in areas covered by Forest Management Agreements.

INDUSTRIAL ACCIDENT PREVENTION ASSOCIATION

- #29. The Committee recommends that the IAPA's spending and management controls be monitored more scrupulously by the Workers' Compensation Board (WCB) on an ongoing basis.
- #30. The Committee recommends that the IAPA develop a more efficient accounting system and that a stronger system of accountability to the WCB be developed. The WCB should review the Auditor's report on the expenditure approval process and correct the deficiencies noted.
- #31. The Committee recommends that the tripartite Occupational Health and Safety Education Authority, consisting of industry, labour and government representatives, play an active and decisive role in the provision of health and safety services.

- #32. The Committee recommends that labour be given an opportunity to become more involved in occupational health and safety decisions.
- #33. The Committee recommends that the IAPA increase the representation of women on its Board of Directors and in its management structure and that this be done on an urgent basis.
- #34. The Committee recommends that the WCB attempt to recover the money overspent or spent without proper authority by the IAPA.
- #35. The Committee recommends that the current IAPA upper management be reviewed and a new position for controller should be created.
- #36. The Committee recommends that the IAPA improve and expand information services to workers and that complaint procedures in particular be fully explained.
- #37. The Committee recommends that the IAPA courses and seminars be restructured so that more time is spent on the meaning and enforcement of the Occupational Health and Safety Act.
- #38. The Committee recommends that the IAPA make data sheets available to all member firms and workers and inform them that data sheets are available.
- #39. The Committee recommends that the WCB's Occupational Health and Safety Education Authority (OHSEA) conduct or commission a behavioural study of the effects of accident prevention education on workers to measure the success of programs, conferences and other training efforts.
- #40. The Committee recommends that the IAPA decentralize certain of its operations and functions so that conferences and meetings, for instance, take place in the region of the province where more of its client base can be better served.

- #41. The Committee recommends that the IAPA revise its conference planning so that there is a more concerted effort to accommodate such events in hotels which offer the lowest rate.
- #42. The Committee recommends that IAPA management be required to seek either government or commercial rates in hotels when they travel on business.
- #43. The Committee recommends that the IAPA's hiring policy be changed so that the practice of hiring relatives, particularly those who are students hired for summer employment, be discontinued. The Committee further recommends that the Provincial Auditor re-examine the IAPA's hiring practices in one year's time.
- #44. The Committee recommends that the Provincial Auditor review the IAPA's practice of having some of its publications printed in the United States. If the IAPA's claims of greater economy and efficiency in this regard cannot be substantiated, the Committee recommends that all IAPA publications be printed in Canada.
- #45. The Committee recommends that the health and safety advertisements of the IAPA and other safety associations be revised to portray a more balanced picture of where the responsibility for accident prevention rests. Advertisements and promotional literature should not place the onus for accident prevention on the workers only.
- #46. The Committee recommends that the funding devoted to organized and unorganized workers in the provision of occupational health and safety services be dramatically increased.
- #47. The Committee recommends that clinics to provide medical services and conduct testing for work-related illnesses be established.
- #48. The Committee recommends that the practice of organizing expensive annual conferences be discontinued as such events cannot be justified in terms of previous years' low participation rates and excessive costs.

ALLEGATIONS OF CONFLICT OF INTEREST CONCERNING ELINOR CAPLAN, MPP*

- #49. The Committee is profoundly concerned that no one interpretation of the 1985 Guidelines take precedence over another. Rather, what is required after all of the opinions have been expressed, is a mechanism whereby all of the opinions given can be considered so that appropriate advice and recommendations can be made on the future of the 1985 Guidelines. The Committee recommends that the Premier create a special committee of the Legislature to perform this function.

- #50. The Guidelines must be replaced by legislation or regulations under appropriate existing legislation.

- #51. The role and plain meaning of new conflict of interest provisions should be clarified to allow for unequivocal interpretation and advice.

- #52. Appropriate and effective mechanisms for interpretation, enforcement and monitoring of provisions should be developed. With respect to interpretation, responsibility for providing advice to a minister should be vested in a non-partisan and independent advisor.

- #53. Provision should be made for a non-partisan and independent arbiter for conflict of interest compliance.

- #54. The imposition of an arbiter should not remove responsibility for compliance from a minister nor relieve the Premier of his obligation to monitor compliance. The necessity for responsible government with regard to compliance should not in any way be diminished.

- #55. A blind trust provision, where and if appropriate, should be carefully structured to protect against a minister directly or indirectly benefitting from or providing a benefit to his holdings.

*The recommendations contained in this section of the Report are those contained in the Standing Committee on Public Accounts' Report on the Allegation of Conflict of Interest Concerning Elinor Caplan, MPP (September 1986).

- #56. Any blind trust provision must define precisely the responsibilities of the trustee in the administration of such trust on behalf of a minister.
- #57. The Committee recommends that any obligations currently set out in the guidelines continue to apply to ministers and their spouses as defined under the Family Law Act and to children as set out in municipal legislation. The definition of children should be expanded to include at least those who continue to reside with or are dependent upon ministers and their spouses. Consideration should also be given to expanding the definition of children to include all children, regardless of residence, age or financial dependence.
- #58. The Committee recommends that post-employment restrictions on ministers need not be imposed as such provisions are not warranted at present.
- #59. The Committee recommends that there should be a more comprehensive definition of types of interests which must be disclosed and that this should include full disclosure of all beneficial interests. Furthermore, disclosure of newly-acquired interests should be required. Ongoing disclosure requirements should be monitored so that failure to report changes in circumstances can be detected and penalized.
- #60. The Committee recommends that an arbiter for compliance with conflict of interest provisions be an officer of the Legislative Assembly, appointed in the same manner as the Ombudsman or the Provincial Auditor. Similarly, advice on interpretation and compliance should be provided by a non-partisan appointee operating under the jurisdiction of the Assembly rather than as a government official.
- #61. The Committee recommends that apparent conflicts of interest be avoided as conscientiously as actual conflicts of interest and that this principle, to the extent possible, be included and emphasized in new laws or regulations.

IDEA CORPORATION INVESTMENTS

- #62. The Committee strongly urges the government to launch a full judicial inquiry into the failure of Wyda Systems (Canada) Inc. The Committee further recommends that action be taken through the courts and every other available means to recover the \$3 million invested in the company.

RETIREMENT OF THE CLERK

- #63. The Committee recommends that the terms and amount of payouts given to public servants upon their retirement or removal from office be made available for public scrutiny. The Committee also recommends that such payouts be detailed among the expenditures listed in Volume 3 of the Public Accounts of Ontario.

MINISTRY OPERATIONS

Ministry of Agriculture and Food:
Tendering Practices and Other Matters
(Section 3.3 of the Auditor's 1985 Report)

The Provincial Auditor's 1985 review of the Ministry of Agriculture and Food revealed several instances of failure to comply with legislation and faulty internal and management controls. At its May 1, 1986 meeting, the Public Accounts Committee questioned the Deputy Minister and other officials of the Ministry about the findings reported by the Auditor. The Committee was particularly concerned with the Auditor's observations on the purchasing and accounts payable system:

- Contracts with a management consultant were fragmented in order to circumvent tendering requirements.
- A contract for a \$1.2 million computerized system was not tendered, nor was Management Board approval obtained.
- Taxable benefits relating to employee use of Ministry vehicles were not included on employee T4s.

The Auditor's comments on the Quality and Standards Division were also reviewed.

Questionable Management Consulting Arrangements

The Ministry had hired a management consulting firm from 1982 to 1984 to perform nine successive studies on aspects of stock yard facilities, the red meat industry, and the grains and oilseeds industry. The president of the firm, who had performed the work, was paid \$250 a day, totalling \$125,000 over the two years. The Committee noted that, contrary to guidelines for management consulting services set out in the Ontario Manual of Administration, there had been no documented feasibility study of these projects. Furthermore, the requirement that there be tendering for projects estimated to cost over \$15,000 had been circumvented by having the studies broken down into nine consecutive contracts, all worth less than \$15,000. Although Management Board approval is required for projects with estimated costs above \$100,000, such approval had not been obtained, despite the fact that the total cost of these contracts was \$125,000.

The Ministry responded to the Committee's inquiries about these violations of the Manual by explaining that controls over the purchase and management of consulting services had been tightened. The Committee was provided with the Ministry's April 1986 policy guide for the use of external consulting services. Although the Committee was satisfied that the Ministry had appropriately remedied the problems associated with hiring outside consultants, there was lingering concern about the Ministry's inability to explain who had been responsible for earlier infractions and why they had occurred. The Committee also commented that the use of outside consultants should not be discouraged; however, full compliance with Ministry and Manual of Administration guidelines on consulting services should be encouraged and enforced.

Management Information System

Again, the Ministry had contravened the Manual of Administration requirement that contracts over \$100,000 receive Management Board approval by entering into contracts, worth approximately \$1.3 million in total, with a company that was to provide data processing and system development services. As noted by the Auditor, the Ministry had also failed to meet tendering requirements and perform a feasibility study assessing the need for benefits and costs of this computerized system.

A Ministry Task Force concluded in early 1986 that this system was neither useful nor necessary. The Ministry had also established a Management Systems Branch to ensure that all policies were followed. Although the Committee commended the Ministry on its corrective actions, the Members criticized the Ministry for incurring needless costs in the development of a system which ultimately proved useless. The development cost for the system was \$480,000, none of which was recoverable.

Failure to Include Motor Vehicle Taxable Benefits on Employees' T4s

While the Ministry's Administrative Policy Manual acknowledges that employee use of Ministry vehicles is a taxable benefit, the Auditor found that employees' T4s for 1982-84 did not include this benefit. According to the Auditor's rough calculations, approximately \$900,000 in taxable benefits had not been included on employees' T4s over that time period.

The Committee questioned the Ministry's and the Auditor's different interpretations of Revenue Canada policies on declaring use of company cars as a taxable benefit. The Auditor pointed out that, under a change in Revenue Canada taxation policy in late 1982, the Ministry should have been charging a taxable benefit to those employees who were assigned a Ministry vehicle. Ministry officials claimed, on the other hand, that this issue was still being disputed between the federal and provincial governments, and that until the matter was settled, mileage data would be collected but not included as a taxable benefit on employees' T4s.

The Committee accepted the Ministry's assurance that it would comply retroactively with a decision that government vehicle use by employees be included in their T4s. The Committee also acknowledged that this issue has implications for other ministries – the Ministry of Natural Resources, for instance – that are major users of public vehicles. The Auditor informed the Committee that the outcome of this issue would be reflected in future audits.

Duplication of Inspections

The Ministry's Livestock Inspection Branch carries out formal and periodic inspections of provincially licenced slaughterhouses to ensure that provincial sanitary requirements are met. Since June 1984, municipal health inspectors have examined these same premises up to six times a year under the Ministry of Health's new Food Premises Regulation.

The Committee questioned the Ministry about this duplication of effort noted in the Auditor's Report. The Committee was satisfied with the Ministry's response that unnecessary duplication in inspections had been eliminated by the co-ordinating efforts of the Ministry of Health – Ministry of Agriculture and Food Liaison Committee.

Inefficient Milk Testing Operations

The Auditor's Report referred to several problems with milk testing carried out at a new, highly-mechanized Central Milk Testing Laboratory opened in March 1985. Failure to implement recommended test procedures had altered milk test results, which in turn meant that payments to farmers were

potentially \$3.7 million lower than they should have been. Because the computerized testing system had not been thoroughly checked before becoming operational, and because of insufficient computer storage capacity, 13 percent of test results were not reported for the first three months of operation. In addition to these problems, automated linkages between the computer system and the testing equipment had failed, and water content tests had to be carried out manually.

The Committee agreed with the Auditor's conclusion that a more thorough monitoring of the new testing process could have alleviated some of these problems. The Committee also accepted the Ministry's explanation for these problems and its commitment to carrying out more efficient testing procedures.

Inadequate Milk Plant Audit Procedures

The Auditor's finding that procedures used by plant auditors are inadequate to detect inadvertent errors or deliberate falsification of records were commented on by the Ministry. The Committee and the Auditor were satisfied with the Ministry's efforts to address concerns about auditing procedures (these were amended and will be reviewed) and staff training (all staff are thoroughly familiar with the milk processing industry and several have formal training in auditing and accounting).

Recommendation

- #1. While the Committee has no objections to the practice of hiring outside consultants to perform studies and other necessary services, the Committee recommends that the Ministry of Agriculture and Food ensure that all applicable guidelines relating to the procurement of external consulting services be fully and consistently followed.

Ministry of the Attorney General:
County and District Courts Activity
(Section 3.4 of the Auditor's 1985 Report)

On March 25, 1986, the Public Accounts Committee considered the Provincial Auditor's findings with respect to court activities administered by the Ministry of the Attorney General. The 1985 Auditor's Report found fault with the scheduling of court cases and use of court rooms, the Ministry's decision to build additional courtrooms, procedures to collect fines, and the excessive costs incurred for transcripts of a Royal Commission's hearings.

Courtroom Scheduling and Use

The Auditor's Report commented on the significant backlog of cases in the County and District Courts (12,641 in 1984) and suggested that better utilization of courtroom space could alleviate this problem. In the summer months of July and August, use of courtrooms outside of York averaged 20 percent and York averaged 35 percent. During the busier six-month period from April to November, the nonutilization rates of courtrooms in York and outside York were still over 30 percent and approximately 40 percent respectively. Given the underutilization of existing courtrooms, the Auditor also questioned the decision to build six additional courtrooms for the Supreme and District Courts in Toronto (York District) at a cost of \$8.7 million.

The Committee reviewed several options for improving courtroom use that were put forward in the Auditor's Report and a 1984 consultant's report to the Ministry. These options included increasing the number of judges sitting on summer trial calendars, scheduling more cases for hearings during the traditionally sluggish summer months, and improving monitoring and control of the case scheduling system.

In response to these suggestions, the Acting Deputy Attorney General advised the Committee that increasing the number of judges would not solve the backlog problem; but increasing the number of prosecutors, of which there is a chronic shortage, would expedite the administration of justice. He added that efforts were already underway to schedule non-jury civil and criminal cases in the underutilized summer period. He also anticipated that a computerization

program, which would be operational in 1987, would reduce the incidence of unused courtrooms by tracking cases, sittings and other scheduling information more efficiently.

Convenience Factors

Committee discussion also included some consideration of how courtroom use and court proceedings could be made more convenient. The possibility of extending courtroom hours and having cases heard during the evening was raised. The Committee also discussed briefly the inadequate number of justices of the peace and suggested that more of these order-in-council appointments be made to assist police departments in receiving authorizations for warrants, for instance. The Committee expressed agreement on the importance of having cases heard in locations which are convenient for the accused rather than in some far-away district court to which the accused and his/her lawyer would have to travel. The Acting Deputy Attorney General assured the Committee that this legal jurisdictional problem is one which a committee of prosecutors, court officials and judges was actively attempting to solve. Another related matter of convenience discussed by the Committee was the advisability of moving smaller courts to northern centres to serve residents of more remote areas of the province more effectively. The Committee commended the Ministry for having already relocated some of its courts to serve remote Indian reservations.

Charges Dismissed Because of Undue Delays

Another matter that concerned the Committee was the Auditor's finding that charges had been dismissed in the past because of undue delay. Although the Acting Deputy Attorney General conceded that the Charter of Rights and Freedoms provides for a right to trial within a reasonable time, he felt that the number of cases dismissed under the Charter was very small and added that such occurrences are always investigated to determine cause for dismissal. He also commented on the fact that, as a result of the Charter, criminal cases now involve much longer trials because there are more technical defences today than there were under the system inherited from Great Britain. This trend toward longer trials, coupled with a shortage of prosecutors, leads to substantial delays in the trial system.

The Committee expressed interest in the American justice system and how both court utilization and the trial process appear to operate more efficiently in other jurisdictions. The Acting Deputy Attorney General agreed to provide the Committee with information on other jurisdictions when it becomes available.

Financial Controls:

Unpaid Fines

As of March 31, 1985, the Ministry's accounts receivable showed \$69 million in unpaid provincial fines and penalties, including \$41 million in fines levied under the Highway Traffic Act and \$28 million in fines under provincial statutes or the Criminal Code. In an effort to improve collection procedures, the Ministry had been considering amendments to the Highway Traffic Act to allow the Ministry of Transportation and Communications to deny licence plates to people whose licences are under suspension for non-payment of fines. Consideration had also been given to encouraging Metropolitan Police to serve warrants. The Acting Deputy Attorney General informed the Committee that those people who fail to pay their fines now have their licence plates revoked and are required to pay outstanding fines when they seek to obtain a new plate validation.

Payments to Provincial Executioner

The Committee also dealt with the issue of monthly payments made to the provincial executioner from 1970. Although capital punishment had been abolished in July 1976, the executioner continued to receive a total of \$20,000 in payments from 1976 to 1984. Payments were discontinued in January 1985. The explanation offered for the continuation of the retainer was poor judgment on the part of the sheriff who reviewed this situation in 1976.

Grange Royal Commission Inquiry

A final financial matter discussed by the Committee was the Auditor's observation that the \$120,000 paid for private transcription services in the Grange Royal Commission inquiry was excessive. The Acting Deputy Attorney General explained that because the Ministry's request for transcripts

was refused by the Commissioner, it was up to the Ministry to obtain the necessary copies at its own expense. The Ministry had to purchase these copies directly from the private transcribing company, which charged a high rate for providing "first transcripts."

Recommendations

- #2. The Committee recommends that the Ministry of the Attorney General make better use of existing courtroom facilities by scheduling more trials for the summer months of July and August and that consideration be given to increasing courtroom use during evening hours.
- #3. The Committee acknowledges that efforts to address legal jurisdictional problems are underway and recommends that there be attempts to have cases heard in locations which are convenient for the accused and other parties involved. The Committee further recommends that remote northern communities in particular be better served by the relocation of smaller courts to these areas.
- #4. The Committee recommends that the Ministry undertake a comparative study of court scheduling and procedures in other jurisdictions, particularly in the United States, to determine how its own system might be improved. The Committee accepts the Ministry's undertaking to provide the Committee with such information once it becomes available.
- #5. The Committee recommends that the Ministry address the problem of an insufficient number of justices of the peace by seeking to have more of these order-in-council appointments filled. The Committee intends to undertake a review, in co-operation with the Provincial Auditor's office, of the appointment process for justices of the peace and consider the advisability of these positions being made subject to a fixed term of office.

Ministry of Education:
Private Schools, Curriculum Matters
and Data Processing Services
(Sections 3.8, 3.9 and 3.10 of the Auditor's 1985 Report)

The 1985 Auditor's Report identified a number of problems relating to the Ministry of Education's inspection procedures for private schools (section 3.8), curriculum guidelines (section 3.9) and EDP controls (section 3.10). The Public Accounts Committee considered these matters at its March 26, 1986 meeting.

Private School Inspection

Having reviewed the Ministry of Education's inspection procedures, documentation and guidelines, the Auditor concluded that:

- inspections did not cover all areas subject to review;
- in some cases, weaknesses identified or conclusions reached were not supported by documentary evidence;
- there was sometimes no evidence of deficiencies/recommendations noted in previous inspections being followed up; and
- there were no guidelines to determine the extent to which deficiencies would be tolerated before a private school was denied the privilege of offering credit courses.

Although the Committee accepted most of the Ministry's explanations for these findings, Committee Members were concerned about several additional matters that were raised during the meeting. The Committee was particularly concerned about the fact that private schools are inspected less frequently than public schools. Furthermore, the 48 private schools in the province are generally inspected only when they request inspection. The Committee also noted, with some surprise, that while these inspections are conducted to ensure that "satisfactory instruction" is being provided, they do not necessarily ensure that the compulsory Ontario curriculum is being taught.

Curriculum Matters

With respect to curriculum development, the Auditor's Report concluded that financial and other management reports provided inadequate information to

monitor and control development of curriculum guidelines. Curriculum implementation was also not being monitored. The curriculum review process was found to be deficient as well in that the Ministry was not doing follow-up reviews to ensure that recommendations were acted upon and the results of reviews, based on a small sample of school boards, were not representative of the overall quality of curriculum implementation.

The Committee was satisfied with the Ministry's improvements in these areas. The recommendations of the Auditor had been followed, and in some instances, improvements beyond those recommended had been effected.

Data Processing Services

There were three major concerns noted by the Auditor with respect to EDP activities and related controls within the Ministry. The Auditor found that the continued use of contract consultants for these services was uneconomical and disregarded provisions of the Ontario Manual of Administration; computer program changes required stricter control; and sensitive information stored in the Ministry of Government Services' data centre was not properly protected from unauthorized access.

The Committee dealt primarily with the issues of hiring contract consultants and inadequate security for sensitive information. The Ministry's explanation for the need to hire outside consultants – a varied and unpredictable workload – was found acceptable by the Committee. The Committee also commented on the benefits of having outside consultants performing certain types of work, as opposed to relying too heavily on internal staff. The Ministry's efforts to remedy the confidentiality and security issue were noted by the Committee.

Ministry of Government Services:
Management of Government Property
 (Section 3.13 of the Auditor's 1984 Report and
 Section 3.12 of the Auditor's 1985 Report)

During its May 29, 1986 deliberations over the management of government property by the Ministry of Government Services, the Public Accounts Committee considered the criticisms levelled at the Ministry in the Provincial Auditor's 1984 and 1985 Reports. Because the Committee had not had an opportunity to consider the Auditor's 1984 Report, and because many of the problems cited in the 1985 Report overlapped with those commented upon the previous year, the Committee thought it appropriate to address both years' findings with respect to the Ministry in a single sitting.

The overall conclusion of the Auditor's reviews of the Ministry was that there was often inadequate regard for economy and efficiency in both the maintenance of government facilities and the use of accommodation. With respect to maintenance, the 1984 audit revealed that:

- there were often unnecessary delays in essential repairs, disputes over service and funding arrangements and inadequate assurance that government assets were properly maintained;
- contract management was not economical because of an established practice of selecting the lowest bidder exclusively, insufficient staff and in-house expertise to monitor the work of contractors and ineffective evaluation of contractor performance; and
- inadequacies in the Ministry's preventive maintenance program led to unnecessary major repairs or replacement of mechanical systems and equipment.

Major conclusions of the 1985 audit of the Ministry's use of accommodation included the following:

- There was little incentive for ministries to declare surplus space and, in some cases, accommodation costs incurred were excessive;
- The Ministry did not monitor the ongoing use of accommodation once space needs had been assessed and met;
- Although client ministries were required to declare annually whether the space allocated to them had been efficiently used, this requirement had not been enforced by Management Board;

- The published savings from a Metro Plan accommodation planning project were overstated by some \$30 million; and
- The relocation and consolidation of the Ministry of Municipal Affairs and Housing to College Park was based on only two lease proposals requested by MGS; public tenders were not invited. Furthermore, the MGS submission to Management Board did not provide a valid financial comparison of the rental value of properties under consideration.

The Committee focussed its discussion on the issues of use and management of government properties that were raised in the Auditor's 1985 Report. Questions relating to other government space not specifically mentioned in the Report were also raised.

Accountability for Surplus and Used Space

The Ministry accepted the Auditor's and the Committee's criticisms concerning the lack of incentives for ministries to declare surplus space. In an attempt to deal with this problem, the Ministry had introduced a cost avoidance incentive plan to encourage client ministries to declare their unused space. Other strategies for increasing client accountability in this regard were also being considered. However, the Ministry pointed out that, within the current accountability framework, it cannot exercise any direct control over surplus space until a client ministry has declared it as such. The Ministry was in the process of reviewing with Management Board how it could assume more control over the use of space by ministries and anticipated that this would lead to amendments of the existing procedures in the Ontario Manual of Administration. The Committee endorsed these actions and the Auditor's recommendation that the Manual of Administration be amended to clarify Management Board requirements.

The Committee considered it especially important that the requirement for ministries to file an annual report with Management Board on their use of space be clarified and enforced.

Another matter that concerned the Committee was the lack of control by MGS and Management Board over ministerial decisions on how to furnish or decorate their allotted space. There was no apparent impediment to or scrutiny of excessive spending on furnishings, carpets and appointments. The Committee felt that there should be greater accountability for such decisions.

MGS Real Property Management

The Ministry regarded its inventory of MGS properties as complete and up-to-date. However, because this inventory did not include Ontario government properties, some Committee Members felt that it was not comprehensive enough to ensure that all available accommodation be in use at all possible times.

The Committee questioned the Ministry's sensitivity to the need to stimulate economic development as one aspect of property management. In response, the Ministry noted that its role is not only to provide accommodation to client ministries, but also to work in close consultation with local councils and communities to serve social and economic needs in a given area.

The Ministry also responded to Committee inquiries about the degree of private-sector expertise it relies on to manage government space effectively. The Committee was informed that MGS was in the process of merging with part of the Ministry of Housing, specifically the Ontario Land Corporation. An advisory committee made up of large corporate firms in the private sector was assisting MGS in this process by advising the Ministry on its leasing portfolio, its construction program and other matters. The Ministry also pointed out that membership on the Real Property Advisory Committee included a number of private-sector firms, as well as a representative from the planning arm of Metro Toronto to offer municipal input.

Specific Properties

In the course of its inquiry, the Committee asked the Ministry for explanations of the apparent mismanagement of certain government properties.

One questionable decision that was noted in the 1985 Auditor's Report was the consolidation of various ministries in a government-owned building in Hamilton. This relocation resulted in leased premises remaining vacant for up to three years at a cost of \$585,000 according to the Auditor. While the Ministry agreed that its inability to lease, sublet or find other government uses for the space vacated by the relocation resulted in substantial carrying

costs for the unused premises, it calculated these carrying costs at under \$380,000.

The Committee was also concerned about reports of major design and construction flaws in provincial court facilities throughout the province. The Ministry was unable to respond with certainty to questions about the St. Catharines and Hamilton courthouses in particular. As the Auditor had undertaken a review of these matters and would be reporting to the Committee by November 1986,* it was decided that further questions about provincial court facilities would be more appropriately dealt with following the release of the Auditor's findings.

The Committee also discussed briefly the Ministry's plans for the property east of Bay and south of Wellesley, its involvement in the Ontario Welcome House at 454 University Avenue, design problems with the police station in the Hornepayne Town Centre, the renovation of the Kirkwood Ministry of Natural Resources office in the Blind River District and the consolidation of the Ministry of Skills Development in the Ministry of Colleges and Universities offices.

Recommendations

- #6. The Committee recognizes that existing procedures set out in the Ontario Manual of Administration do not enable the Ministry of Government Services to exercise enough direct control over use of space and declaration of surplus space by client ministries. The Committee therefore recommends that the Ministry and Management Board review and seek to amend the Manual to clarify and strengthen the Ministry's control over use of government space.

* The Committee later decided during an in camera meeting on November 20, 1986 that the Auditor's report on provincial court facilities should not be tabled by November 1986, as the Committee's schedule would likely not permit consideration of this issue before the year's end. The Committee therefore suggested that the Sub-Committee and the Auditor determine an appropriate time in early 1987 to release the report and deal with its findings.

- #7. The Committee recommends that Management Board enforce more conscientiously the requirement in the Ontario Manual of Administration that ministries file annual reports attesting to the use of all space allocated to them.
- #8. The Committee recommends that accountability for the decisions of all ministries on how their premises are furnished and control over movable assets be strengthened.

Ministry of Health:
Nursing Homes
(Section 3.13 of the Auditor's 1985 Report)

The Committee met on March 25, 1986 to review the Auditor's findings with respect to nursing homes. The Auditor's 1985 Report had revealed that a number of provincially licenced nursing homes had been charging residents unauthorized fees, that Ministry of Health inspections did not ensure that previously-noted deficiencies had been corrected, and that many licenced residential homes failed to meet the requirements of regulations issued under the Fire Marshals Act.

Unauthorized Charges

The Auditor's Office had examined the Ministry of Health reports on roughly 20 nursing homes. In several instances, residents had been charged fees for uninsured services without their written authorization. Under the regulations of the Nursing Homes Act, residents must be informed of which services are not insured and what the cost of such services will be. Furthermore, residents are to be charged only for those services which they indicate in writing they wish to receive. As pointed out by the Auditor, the regulations do not cover the propriety or fairness of charges for uninsured services.

The Committee questioned Ministry officials about residents in one nursing home being charged a \$150 "exit fee" to be discharged; fees for managing residents' trust accounts and filling out their Guaranteed Annual Income Supplement (GAINS) applications; surcharges on purchases made on behalf of residents; and charges for ironing and mending residents' clothing.

The Committee and the Ministry agreed with the Auditor's finding that such charges made without the required authorization of the residents violated provincial law. The failure to ensure that residents improperly charged for these services were reimbursed compounded the problem. Regardless of whether extra charges are authorized or unauthorized, however, Committee Members expressed doubt about the ethics of nursing homes charging extra fees under any circumstances. The Committee concluded, much as the Auditor had, that nursing homes should be more accountable to the Ministry

for charges made for uninsured services. At the very least, nursing homes should be required to justify or demonstrate the reasonableness of such charges.

The Committee recognized that the Ministry, in co-operation with the Ontario Nursing Homes Association, had taken steps to deal with the problem of extra charges. New guidelines recommending appropriate charges were being developed and could eventually be incorporated into a regulatory mechanism. The Ministry had also adopted a more consistent and effective method of ensuring that improper charges are refunded.

Inspections of Nursing Homes and Licenced Residential Homes

The Auditor's Report had found that inspections of nursing homes were not followed up with proper documentation to show whether previously-noted deficiencies had been corrected. The Ministry acknowledged this problem and assured the Committee that it was being addressed by the use of a new computerized system which would maintain a data base of all inspections performed and deficiencies noted in each nursing home. This system would assist inspectors, head office staff and regional supervisors in improving control and coordination of the inspection process.

It was also noted by the Auditor that a significant number of the province's 273 licenced residential homes (homes which provide a supervised environment but no nursing care) required upgrading to comply with regulations issued under the Fire Marshals Act. The Ministry pointed out that responsibility for fire inspections now rests with the office of the Ontario Fire Marshal, Ministry of the Solicitor General. The Ministry of Health is responsible for fire safety inspections in nursing homes. Health Ministry officials commented on the progress of retrofitting in residential homes found to be in violation of fire safety standards. These 71 homes had been given notice that they must comply, and were in the process of doing so. The Ministry added that it considered its inspection service for nursing homes to be the most vigorous of any such service in North America.

The Committee expressed interest in another matter not covered in the Auditor's Report: differences in inspections of public and private care

facilities. The Ministry informed the Committee that it inspects private nursing homes, but there is no comparable inspection service for homes for the aged or extended care facilities owned by hospitals. The latter fall under the jurisdiction of the Ministry of Community and Social Services, which does not employ inspectors for these public facilities.

The Ministry responded to questions about this "boundary issue," whereby extended care falls under two ministries that handle their respective portfolios differently. Some Committee Members suggested that nursing homes and homes for the aged should be merged under one ministry, and that this might prove more cost-effective as well as more efficient from an operational standpoint.

Recommendations:

- #9. The Committee supports the Auditor's recommendation that the Ministry ensure that nursing homes inform residents of costs for uninsured services and receive written authorization from residents before making such charges.
- #10. The Committee also concurs with the Auditor's suggestion that nursing homes be required to justify to the Ministry the fairness of and need for extra charges.
- #11. The Committee recommends that consideration be given to having public extended care services subject to the same inspection system as nursing homes are under the Ministry of Health. Consideration might also be given to combining nursing homes and homes for the aged under one ministry for more consistent application of standards and possible cost effectiveness.

Ministry of the Solicitor General:
OPP Management Controls
(Section 3.17 of the Auditor's 1985 Report)

On May 15, 1986, the Deputy Solicitor General and the Ontario Provincial Police Commissioner appeared before the Public Accounts Committee to respond to various problems identified in the Auditor's Report with respect to OPP management and management controls.

The Auditor's review of the Field Operations Division commented on the need for more civilian staff to perform clerical functions, better scheduling of staff vacation time and fuller implementation of plans to close or amalgamate OPP attachments. The audit of the Supply Division found that use and servicing of OPP vehicles could be better controlled and that a majority of inventory items were overstocked. The Report also noted that the OPP had not developed an overall computer management information system, that security over stored weapons and ammunition was weak and that some costs for an insignia shop operated by the Commissioned Officers Association had been absorbed by the Ministry.

Use of Civilian Staff

The Ministry agreed with the Auditor's suggestion that much of the work being done by uniformed constables could be performed by civilian staff. In fact, the OPP had already increased use of civilian employees in clerical functions. However, civilianization of other types of positions, such as security duty in the courts, was considered inadvisable. The Ministry felt that it was important to have a uniformed police presence in the courtroom and indicated that this opinion was shared by the judiciary and the prosecutors.

Vacation Leave and Staffing Levels

The Auditor had found that 47 percent of vacation time is taken by police staff during July through September, when the reported number of criminal occurrences is at its highest level. The Ministry had attempted to reinforce its policy of allowing no more than one-sixth of its detachment members to be on vacation at one time. Other ways to improve scheduling of vacation time were also under review.

The OPP had reduced the amount of overtime in recent years to address further the problem of insufficient staff. Although the uniformed staff complement had been increased by some 20 percent during peak periods in the summer, staffing levels were not always sufficient.

The Committee expressed some concern over the apparent lack of policing in more remote areas of the province and particularly between the hours of 2:00 a.m. and 7:00 a.m. The OPP Commissioner and the Deputy Minister felt that police response to the few calls received on the zenith line during these morning hours was efficient.

Amalgamation of Detachments

In 1981, an OPP committee had recommended that a number of detachments be closed or amalgamated. The Auditor questioned the fact that this recommendation had not been fully carried out. As far as the Committee was concerned, there were too few OPP detachments in certain parts of the province, and the rationale for closing or amalgamating them should be reconsidered.

The Committee was informed that the recommendations regarding closing or amalgamating detachments had been followed in six out of nine cases. Three detachments were still under review, and the possibility of retaining at least one of them had not been ruled out. The Ministry also pointed out that the well-being of the population, as well as cost efficiency, was a consideration in determining whether a police presence in a community was necessary.

OPP Vehicles

The Auditor noted that there were unnecessary delays of over six months in putting 150 OPP vehicles, valued at approximately \$1.3 million, into service. Of further concern was the practice of having vehicles nearing replacement undergo costly repairs.

The Ministry responded that every effort was being made to place cars in service as quickly as possible. Upon reviewing its replacement criteria, the OPP concluded that its practice of replacing vehicles at 140,000 kilometers

was reasonable. In those cases where vehicles were repaired close to their replacement time, authorization from the Transport Branch for costlier repairs was received, subject to a cost assessment.

Overstocking of Inventory

The Auditor reported that many items in the inventory of the Quartermaster Stores Branch were greatly overstocked. The need for a 61-year supply of heavy winter breeches and a 21-year supply of regular winter breeches, valued at roughly \$65,000 altogether, was questionable. The Ministry agreed that there had been unnecessary overstocking of certain items and had attempted to dispose of surplus stock through sales to other police forces. Although these efforts had been unsuccessful, the OPP had managed to dispose of 293 pairs of breeches through assets disposal in the Ministry of Government Services. The Ministry felt that current stock levels were more reasonable.

Lack of Computer Development

With respect to the Auditor's observation that the OPP had not developed a computerized information system, the Ministry reported to the Committee that it was now in the process of implementing a new telecommunications project. The Ministry also reported substantial progress in its Information Technology Services Branch, which was developing a strategic plan for technology implementation.

Security Over Weapons and Ammunition

The Committee was greatly concerned about the Auditor's findings that security over stored weapons and ammunition was weak. The Auditor found that control over removal of weapons was lacking; the building containing the weapons had some broken windows and an open, unguarded back door; there was no alarm system or armed personnel guarding the weapons; the door to the weapons area was left open during the day; and a number of people had unrestricted access to the weapons area.

The Committee was somewhat relieved to learn that control and security had been enhanced as a result of the audit and that the OPP had accelerated the destruction of confiscated weapons as a further safety precaution.

OPP Insignia Shop

As a result of the audit findings that some costs of the privately-operated OPP Insignia Shop had been covered by the Ministry, the Commissioned Officers Association and the Ministry had signed a contract requiring that rent and salaries for employees of the shop be paid by the Association.

The Committee questioned the extent to which the public has access to OPP insignia items, such as caps and shoulder badges. Although the OPP insignia is protected under copyright and items bearing the insignia are not sold to the general public, there are modified versions of the insignia at large.

Ministry of Transportation and Communications:
Highway Maintenance
(Section 3.18 of the Auditor's 1985 Report)

The Auditor's evaluation of maintenance operations of the Provincial Highways Program acknowledged that the Ministry of Transportation and Communications had initiated several cost-effective measures. These included privatization, the use of one-person plows, better staff scheduling and patrol yard amalgamations. However, improvements were required in a number of areas.

On March 19, 1986, the Public Accounts Committee met with officials of the Ministry to discuss the Auditor's findings with respect to excessive use of road salt on highways, insufficient control over vehicle repairs, amalgamation of additional patrol yards and deficient hiring practices for winter seasonal employment.

Excessive Salt Usage

Four of six districts reviewed in the Auditor's Report did not monitor the amount of salt applied to provincial highways. One district was found to have used approximately 5,900 tonnes of excess salt at a cost of \$140,000.

The Committee expressed considerable interest in the Ministry's approach to salt usage on highways. Although the Committee noted that, in response to the Auditor's comments, the Ministry had begun monitoring more closely the application rate of salt, some Members questioned the benefits of using salt as opposed to alternative chemical agents for winter road safety. The Ministry agreed that road salt does environmental damage to wells, crops and other vegetation; it also accelerates corrosion of vehicles. Nevertheless, the Ministry felt that the available chemical alternatives posed equal if not greater threats to the environment, were not as effective as ice-control agents, and did not necessarily promise cost savings. To the Ministry's knowledge, there was no alternative to road salt being used anywhere in North America that was as effective for roughly the same cost.

Vehicle Repairs

The Committee addressed the Auditor's finding that there were cases of excessive repairs performed on Ministry vehicles designated for replacement. In one instance, a truck scheduled for replacement was repaired at a cost of \$10,700 between the time replacement was approved and received. Additional repairs in preparation for auction brought the total repair bill to \$15,000, while the vehicle which replaced it cost \$13,800. In a second instance, repairs that occurred subsequent to approval of a replacement vehicle totalled \$9,300, but the estimated replacement cost was \$10,800.

The Ministry agreed with the Auditor's recommendation that major repairs on vehicles scheduled for replacement should be approved and had taken appropriate remedial action. The Ministry also informed the Committee that the general issue of fleet management was under review by Management Board of Cabinet.

Further Patrol Yard Amalgamations

The Auditor's Report suggested that the Ministry could save approximately \$550,000 in annual operating costs by amalgamating more of its patrol yards. The Ministry had considered this possibility, and concluded that further consolidation would be limited. The Auditor and the Committee were satisfied that the situation had been reviewed.

Questionable Hiring Practices

The Ministry's hiring practices for seasonal part-time positions did not provide equal opportunities for applicants, according to the Auditor's Report. There was frequently no evidence of interviews being given or a rationale for hiring decisions. Often patrol supervisors hired personal acquaintances. There were also cases of inexperienced applicants being hired, while experienced applicants on file were not.

The Committee was concerned about delays in changing hiring practices to correct these problems. The Ministry explained that it had been awaiting a new collective agreement under negotiation with the Ontario Public Service

Employees Union before revising its hiring procedures. The Ministry expected new procedures to be in place by the fall of 1986 and agreed to provide the Auditor with a copy of the revised hiring provisions.

Office of the Assembly:
Election Administration
(Section 4.5 of the Auditor's 1985 Report)

The Public Accounts Committee meeting on the morning of September 30, 1986 was attended by the Chief Election Officer and other representatives from his office, who responded to questions regarding election administration. The 1985 Auditor's Report had indicated that there were opportunities for cutting costs and otherwise improving the administration of elections. The Committee addressed the concerns raised by the Auditor in connection with the May 2, 1985 election. The costs of the August 14, 1986 by-election in Cochrane North and the impact of electoral boundary redistribution on future provincial elections were among a number of other matters considered.

Costs of Electoral Lists

The Auditor's Report concluded that the prices paid for the reproduction of electoral lists for the May 2, 1985 general election were excessive. The estimated total cost of \$1,597,000 could have been reduced by over \$1 million had these lists been reproduced by less expensive means. It was suggested by the Auditor that lists could be reproduced by photocopying or that more reasonable printing service costs could have been paid.

In response to these observations and the Committee's suggestion that printing requirements could be met by the Queen's Printer, the Chief Election Officer pointed out that, given the brief 37-day election period, the need for efficiency and expediency often precludes efforts to cut costs. He also noted that the maximum allowable costs for reproducing electoral lists are set out in the Regulations of the Election Act. Reproduction costs for the May 2, 1985 election fell within the specified limits.

Costs and Necessity of Notice of Enumeration Cards

The Election Act requires that every enumerated elector be mailed a notice of enumeration. This requirement, which became effective December 1, 1984, was complied with for the first time in the May 2, 1985 general election. The cost of this new practice was \$3.1 million, and according to the

Auditor, the benefits derived from this considerable expense were questionable. The mailing of notices of enumeration did not increase voter turnout, and the majority of returning officers who responded to a survey conducted by the Chief Election Office expressed doubt about the necessity and usefulness of mailing these notices.

While the Chief Election Officer agreed that the practice of mailing notice of enumeration was not cost-effective, he felt that it did "smooth" operations. One way of ensuring that voters actually receive their notice would be to amend the Election Act to allow the delivery of the notices in such a manner that the exclusive jurisdiction of the Canada Post Corporation was not contravened. Alternatively, an amendment could allow the mailing of notices to each household, rather than each elector, to take advantage of lower postal rates.

The Committee agrees that such an amendment is desirable. The Committee also favours the continued use of notices, as they are helpful to voters, enumerators and returning officers, but is of the opinion that the costs associated with providing notice of enumeration should be reduced if possible.

"Vote-At" Cards

A number of issues not dealt with in the Auditor's Report were also discussed. One of these was the use of "vote-at" cards by election candidates. These cards, featuring candidates' names and pictures, are distributed by candidates for partisan purposes. Although the mailing of Notice of Enumeration cards was expected to have reduced the number of "vote-at" cards distributed during the May 2, 1985 election, this did not seem to be the case. Although the Chief Election Officer would not object to "vote-at" cards being outlawed, he did not regard their use as a serious problem.

The Chief Election Officer did feel that it was important to ensure that poll workers not wear any badges or other items that would identify them with a political party or candidate. Although this was an occasional problem, he felt it was a manageable one.

Returning Officers

The Committee had several concerns about the qualifications and remuneration of returning officers. The Chief Election Officer outlined the criteria for selection of returning officers, who are appointed by order-in-council on the recommendation of the Chief Election Officer. Although positions for returning officers are not advertised publicly in Ontario, as they are in Quebec, the Chief Election Officer indicated that this possibility was being considered for future vacancies.

With respect to the payment of returning officers, the Chief Election Officer informed the Committee that fees are based on the number of voters in a returning officer's riding and are therefore variable. A portion – also variable – of this fee goes to pay staff salaries and office expenses. As the Chief Election Officer pointed out, there are potential inequities in this system because it is the inefficient returning officer, who scrimps on salaries and expenses, that retains the highest earnings.

Cochrane North By-Election

Amid general discussion of voter turnout and election expenses, the Committee expressed particular interest in the August 14, 1986 by-election in Cochrane North. Because of the extremely low voter turnout for this by-election (in one poll there were no voters) and the feeling among Opposition Members that this by-election was unnecessary to begin with (the candidate, the incumbent Member for that riding, had resigned his seat over conflict of interest allegations), many Committee Members considered the approximately \$150,000 spent on this by-election a waste of public funds. It was suggested that, in the future, any Member who resigns his seat due to alleged conflict of interest do so only with the intention of remaining outside the Legislature.

The Committee also noted that the Auditor's recommendations for reducing printing costs associated with election administration had not been implemented in the Cochrane North by-election. The Chief Election Officer disagreed with the suggestion that printing costs, particularly in northern ridings, could be substantially reduced by using photocopy as a means of

reproducing the necessary paperwork. He did indicate, however, that the results of a task force study on the reproduction of electoral lists would likely reduce the costs of and revise the process by which electoral lists are reproduced in future elections.

Electoral Boundary Redistribution

The Chief Election Officer was asked to comment on the probable effect of electoral boundary redistribution on future elections. As the number of newly-appointed returning officers would not be any greater than usual, he did not foresee any problems with election administration in individual ridings, despite the addition of five new electoral districts. The opening of new returning offices and the fact that there will be another one million voters in the next election will increase costs. However, he noted that it was the 1984 amendments to the Election Act that drove election costs up substantially, by as much as \$5.5 million. Redistribution would simply increase costs proportionately.

Although the Committee was satisfied with the Chief Election Officer's responses to specific questions and his overall management of election matters, the Members requested that he provide them with the results of a study of election forms and the updated results of a survey of returning officers. The Committee was especially interested in learning which of the Auditor's various recommendations had been or would be implemented.*

Recommendations

- #12. The Committee agrees with the Chief Election Officer's suggestion that the Election Act should not require that notice of enumeration be mailed to each elector in order that more cost effective methods of giving notice could be implemented. The Committee therefore recommends that the Election Act be amended to allow greater flexibility in the method of giving notice, provided that the exclusive jurisdiction granted to the Canada Post Corporation is not contravened.

* The Chief Election Officer later provided the Committee with a Summary Report on Printing Procedures and Requirements, dated November 27, 1986.

- #13. Although the Committee favours the continued use of Notice of Enumeration cards, methods to reduce the considerable costs of producing and providing these cards to voters should be investigated further.

Ontario Housing Corporation:
Security Services
(Section 4.11 of the Auditor's 1985 Report)

On May 8, 1986, the Public Accounts Committee met to consider security services in housing projects managed under the Ontario Housing Corporation. The 1985 Auditor's Report had criticized the Corporation for its failure to tender contracts awarded for security services and analyse the costs associated with such services. The Committee reviewed these concerns with OHC and Ministry of Housing officials, but remained unsatisfied with the Corporation's explanation of its tendering process, as well as its inability to provide specific information on certain aspects of its operations. The Committee therefore requested that the Auditor review these matters further and report back to the Committee.

On September 30, 1986, the Committee again met with OHC and Ministry officials to consider the updated findings of the Auditor and the Corporation's own progress report on improvements in its purchasing of security services.

Lack of Competitive Tendering

The Auditor's 1985 Report noted that the Metropolitan Toronto Housing Authority had retained private companies to provide security services for its housing projects since 1960. One of these companies had been paid more than \$7.5 million for security services over an 8-1/2 year period, from 1976 to 1984. However, the Auditor found that there was no written contract between OHC and this company, nor was there evidence of competitive tendering to justify the retention of the company after the expiry of its 1976 contract. The Auditor also questioned the retention of this company in view of the fact that a second security company had been retained in 1970 to provide similar services exclusively to Metropolitan Toronto Housing Authority projects.

Since 1970, OHC had entered into several consecutive contracts with this second company. Again, these contracts had never been publicly tendered, and there was no evidence of OHC attempting to find alternative sources of supply. In addition to reimbursing this company for expenditures necessary to carry out its security operations, OHC had paid the company an annual

management fee which, under the most recent contract, amounted to \$240,000 per year. The company received this amount in addition to the \$4.3 million it was paid by OHC in 1984.

In response to questions about OHC tendering practices, the Deputy Minister of Housing explained the special security needs of public housing projects, which experience a high rate of crime and vandalism, and the reasons for single-sourcing in retention of security services. Although the Committee conceded that OHC's security requirements were often extraordinary, the Members were skeptical of OHC claims that the two security companies it had continued to retain were the only companies capable of providing adequate security services.

The Committee was especially critical of OHC's rationale for retaining the services of the second company referred to in the Auditor's Report. This company, Community Guardian, had been formed in 1970 by a former deputy chief of police who had been hired by OHC to provide consulting on security matters. The Committee learned that this consultant had recommended the formation of a private company to handle OHC security needs exclusively and had then set up the company to provide those services. OHC officials did not share the Committee's view that the circumstances surrounding the creation of Community Guardian were 'irregular.'

OHC officials also had trouble convincing the Committee that its public tendering security services in Scarborough in 1985 had been properly carried out or that the bids received had been fairly compared. The Committee questioned OHC's decision in this instance to continue retaining the services of Community Guardian, when this company had been deliberately excluded from the tendering process.

As OHC was unable to explain its tendering practices to the satisfaction of Committee Members, the Committee suggested that the Auditor again review this matter.

Lack of Cost Analysis

The Committee also dealt with the Auditor's findings that OHC did not analyse costs associated with security incidents to determine whether overall

security services were adequate. OHC summarizes reports of security incidents received from its housing authorities, categorizes these occurrences by type (criminal or non-criminal) and submits this summary to its board of directors for review. However, the Auditor pointed out that OHC does not monitor the costs of each type of occurrence and that security incidents are not categorized by housing project or region. The Committee agreed with the Auditor's conclusion that, if such cost records were maintained, OHC could determine whether additional security services were required and whether costs associated with vandalism, break-ins, etc. could be reduced. The Committee was also unconvinced that OHC was ensuring that the number of security incidents reported was accurate.

Second Review of OHC Security Matters

When the Committee met with OHC and Ministry of Housing officials a second time in the fall of 1986, the Committee learned that OHC's handling of security issues had improved somewhat.

The Deputy Minister of Housing reported that the Committee's concerns over the tendering of contracts and the renewal of the contract with Community Guardian in particular had been addressed. Plans for tighter control over Community Guardian had been discussed with Management Board; the existing contract with the company had been revised to enhance control over Community Guardian's costs and performance (and to eliminate additional management fees); and a more structured way of monitoring the company's handling of security incidents, based on feedback from tenants and social agencies, had been developed. The possibility of contracting an independent consultant to evaluate security needs and the adequacy of existing security services was also being explored. The Deputy Minister assured the Committee that the earlier failure to advise Management Board of the results of a tender call prior to executing a new contract was a mistake that would not be repeated. Furthermore, the Ministry intended to work with Management Board well in advance of the expiry of the current security company contract to consider such options as establishment of an in-house security service or a Crown corporation to fill security needs. A more practical way of calling public tenders for specialized security would also be examined.

Although the Committee approved of these measures to improve the tendering and contracting out of security services, the Committee noted that little had been done to address the issue of security cost analysis. The Committee suggested that there be a more concerted effort to analyse and compare costs of security incidents. The Committee further indicated that a cost comparison of private security services and in-house security services provided by a Crown corporation should be undertaken.

Recommendations

- #14. The Committee recommends that OHC submit all contracts for security services in its housing projects to a competitive tendering process and, further, that OHC ensure that Management Board is advised of the results of a tender call before a contract is awarded.
- #15. The Committee has some concerns about OHC's reliance on private companies to provide security services to its housing projects. The Committee therefore recommends that OHC and Management Board examine the comparative cost and service implications of creating an in-house security service or establishing a Crown corporation to handle security requirements.
- #16. The Committee strongly urges OHC to undertake a comprehensive cost analysis of security incidents and to monitor more closely the types of incidents by project, housing authority and region.
- #17. The Committee recommends that OHC consider methods of verifying reports of security problems to ensure that reporting of incidents is accurate.

Ontario Lottery Corporation
Distributorships and Other Matters
(Section 4.9 of the Auditor's 1984 Report and
Section 4.12 of the Auditor's 1985 Report)

Both the 1984 and 1985 Reports of the Provincial Auditor questioned the manner in which the Ontario Lottery Corporation appoints distributors when vacancies for these lucrative positions occur. The 1984 Report also commented on the Corporation's excessive hospitality expenditures, while the 1985 Report criticized the Corporation for awarding management compensation increases in excess of government guidelines. The Public Accounts Committee reviewed these concerns with officials of the Lottery Corporation on March 18, 1986.

Appointment of Distributors

The 1984 Auditor's Report questioned whether qualified applicants for distributorships were aware of openings since there were very few current applications on file and the Ontario Lottery Corporation had not advertised for applicants since 1978. The Auditor recommended that the Corporation consider placing advertisements in local newspapers when an opening for a distributorship arises.

The following year, the Corporation again failed to advertise a distributorship opening which was awarded to an employee of the Corporation. The Auditor's 1985 Report commented that, because this distributorship had not been advertised, "employees could be perceived as enjoying an unfair advantage in applying for distributorship openings."

The Committee was in agreement with the Auditor's suggestion that appearance of "unfair advantage" should be avoided by the Corporation in awarding distributorships. The Committee noted that distributors' net earnings in 1984 averaged \$64,000, and the net income of several distributors was over \$100,000. Press reports also revealed that a number of these high-paying positions had been awarded to individuals with alleged government connections. The Committee therefore considered it especially important for the Corporation to ensure that its process for appointing distributors not appear in any way biased. The Committee also suggested that the Corporation consider developing conflict of interest guidelines.

Responding to the Committee's concerns, the Chairman of the Corporation outlined the criteria and selection procedures for appointing distributors. He also indicated that all distributorship vacancies are now advertised in local news media, in accordance with new corporate policy and the Minister's direction, to ensure that all potential applicants are aware of openings.

Hospitality Expenditures

On January 31, 1984, the Corporation held a reception and dinner for all staff members, where the Minister, Chairman of the Board and the President expressed their appreciation to the staff for their efforts in managing an unprecedented expansion in the volume of business during the \$13.9 million Loto 6/49 jackpot. The cost of the dinner was approximately \$10,000 or \$50 per person.

As the Corporation's Memorandum of Understanding states that the Corporation shall follow the intent of the Ontario Manual of Administration, the Auditor noted with respect to the requirements for hospitality: "It was our opinion that events of this nature are not envisaged as allowable hospitality under this [Section 8.1] of the Manual." While conceding that there are occasions when ministries and agencies of the Crown will experience increased workloads and that it is common in the private sector to reward employees in the manner chosen by the Corporation, the Auditor's report observed that rewarding employees in this fashion due to increased work loads is not an accepted practice in other ministries and agencies.

The Committee acknowledged the Corporation's explanation that this staff function had been a boost to employee morale; that, in comparison to the over \$16 million in extra profits generated by the jackpot draw, the costs of this function were fractional; and that such rewards were common in the private sector. Nevertheless, the Committee felt it was inappropriate for a public-sector corporation to reward its employees out of taxpayers' dollars.

Inflation Restraint Program

Under the Public Sector Prices and Compensation Review Act, which was effective October 1, 1983, public organizations were to report all

compensation increases granted during the restraint period to the Inflation Restraint Board (IRB). The Act also stipulated that total compensation, including merit and cost of living revisions, would not exceed 5 percent.

The Corporation requested that the IRB approve a 7.44 percent merit and cost of living increase for the Executive Compensation Plan and a 9.77 percent increase for the Management Compensation Plan. The Corporation was informed by the IRB on October 31, 1984 that the group compensation plan changes could be implemented unless it was advised to the contrary within fifteen days of the date of this notice. On November 23, 1984, the Corporation informed the IRB that reported changes were being implemented, as no notification preventing it from doing so had been received.

Although the Auditor acknowledged that the Corporation had complied with applicable filing requirements, the Corporation was still deemed to be in contravention of the Treasurer's criteria under the Act. Following a review of government ministries and several Crown agencies and corporations for compliance with the Treasurer's criteria, the Auditor noted that the Ontario Lottery Corporation was the only one in non-compliance.

The Corporation informed the Committee that it did not consider itself in non-compliance with the inflation restraint program as it had followed the correct procedure in seeking compensation increases beyond the 5 percent limit. The Committee found this explanation reasonable and noted that the Corporation had made every effort to comply with IRB policies.

Additional Matters

Additional matters discussed during the meeting included the possibility of limiting prize money so that, in effect, more lottery ticket buyers could win smaller jackpots. The Committee also discussed the effectiveness of the Corporation's television advertising and attempted to draw comparisons between the Ontario Lottery Corporation and public lottery operations in other jurisdictions.

Recommendations

- #18. The Committee recommends that the Ontario Lottery Corporation continue to advertise openings for distributorships and ensure that all qualified applicants are made aware of and considered for these positions.
- #19. Although the Committee does not disapprove of Corporation employees being selected for distributorships when these employees are the most suitable candidates, the Committee feels that appearances of unfair advantage in making appointments should be avoided. The Committee recommends that the Corporation consider developing conflict of interest guidelines to prevent employees from benefitting from their association with the Corporation.

SPECIAL REVIEWS

Algonquin College of Applied
Arts and Technology, Ottawa

In February of 1985, the Committee held a series of hearings on Algonquin College of Applied Arts and Technology. This review was a follow-up to Committee hearings that took place during April 1984 and were discussed in the Committee's 1984 Report.

The 1984 inquiry dealt with two central issues: an overpayment of some \$2.4 million in transfer funds from the Ministry of Colleges and Universities to Algonquin College and the question of fraudulent activities involving the Financial Management Program at the College. Following a detailed investigation of the issues of overpayment and fraudulent activities (the latter being somewhat restricted because of continuing police investigations), the Committee passed a motion on May 17, 1984 directing the Provincial Auditor to review the financial management and administrative systems of Algonquin College and to report on their efficiency, effectiveness and economy.

The Auditor's first report, dealing with specific financial irregularities, was tabled on November 22, 1984. This report concluded that financial controls of certain College programs were unquestionably inadequate. The Auditor's second report, tabled on January 18, 1985, was a more general review of the historical management of the College. This report concluded that the perception of ineffective management at the College was a long-standing problem, dating back to the early 1970s. It also identified inadequacies in the College's internal controls.

The Committee based its review of Algonquin College in February 1985 on the findings of the two Auditor's reports. By the conclusion of the hearings, many of the Committee's concerns remained unsatisfied. The Committee continued to question the nature and extent of the problems experienced by the College and its plans for improvement, the Ministry's commitment to remedying both this situation, and the larger, systemic implications of this case in terms of other community colleges. These persistent concerns prompted the Committee to make several recommendations and final comments.

Recommendations

- #20. The Committee recommends that the Provincial Auditor do a follow-up audit on Algonquin College by November 1985 and report back to the Committee.*
- #21. The Committee recommends that the Provincial Auditor continue to monitor the status of corrective actions taken by the College and the Ministry and keep the Committee informed of significant developments.**
- #22. The Committee recommends that the Board of Directors of Algonquin College be restructured to serve the best interests of the College and the public.
- #23. The Committee continues to be concerned about the excessive number of sabbaticals taken by Algonquin College staff and the breaking of rules associated with sabbatical leaves. The Committee therefore recommends that the College attempt to rectify this problem.
- #24. The Committee recommends that there be an internal auditor for Algonquin College and that this auditor have sufficient power and authority to ensure effective control of the College's financial and management systems.

* The Auditor presented a progress report to the Committee in November 1985.

** The Auditor undertook a review of the College in mid-1986 to confirm that corrective actions had been taken.

Domed Stadium Finances

The Public Accounts Committee undertook an investigation of the proposed domed stadium for Metropolitan Toronto to review and make recommendations on the financing of the project. The Committee had, from the outset, endorsed the concept of a domed stadium and therefore did not question the need for or benefits of constructing such a facility. Throughout its deliberations in the fall of 1985 and early part of 1986, the Committee concentrated only on the issue of whether the province's and the public's interests were best served by existing and proposed financing arrangements for the stadium.

Committee Proceedings

Phase 1

In early 1985, the Committee had voted down a motion to investigate the financing of the stadium project. However, on August 15, 1985 the Committee passed a motion instructing the Provincial Auditor to investigate and report on specific aspects of existing financing arrangements for the construction of the stadium, thus launching the first phase of the domed stadium inquiry.

The Auditor's preliminary report, submitted on September 12, 1985, commented on the following matters set out in the Committee's motion:

1. Whether the public sector's financial contribution to the costs of a domed stadium could be reduced by opening the project to additional corporate sponsors.
2. The economy, efficiency and effectiveness of using provincial lottery revenues to support an enterprise which, according to financial arrangements, will generate profit for private companies.
3. The economy, efficiency and effectiveness of agreeing to exclusive advertising rights and preferred supplier status of private consortium members that should properly be subject to tendering and competitive bidding.
4. The economy, efficiency and effectiveness of financial arrangements whereby the public sector assumes full liability for all cost overruns, but has limited opportunity to share in the profits generated by the stadium.

5. Rules governing conflict of interest between the limited partners and the companies that may be awarded contracts to build the dome, provide banking services for the stadium, etc.
6. Potential areas for cost overruns and safeguards to lessen the possibility of cost overruns to the Province of Ontario.
7. Notwithstanding the above, any aspect of the financing arrangements the Auditor considers to be of importance to the public interest.

The Auditor's findings in these matters assisted the Committee in its September 1985 hearings, during which testimony was heard from various participants in the stadium financing, including the Stadium Corporation of Ontario Ltd., the Municipality of Metropolitan Toronto, members of a private consortium of corporate sponsors and would-be corporate sponsors. In late October and early November 1985, the Committee held additional hearings to recall witnesses whose earlier testimony required clarification and to allow new witnesses to appear.

At the time of the hearings, prearranged funding for construction of the stadium was as follows: the Province of Ontario would contribute \$30 million out of provincial lottery funds; the Municipality of Metropolitan Toronto would contribute \$30 million; CN Real Estate would contribute \$20 million in land, site servicing and preparation; and 13 corporate sponsors (the "private consortium") would each contribute \$5 million units, totalling \$70 million altogether, in exchange for exclusive advertising rights, preferred supplier status and other benefits. This funding package would amount to \$150 million in total, the estimated construction cost of the stadium project in 1984.

However, the escalation of the original cost estimate from \$150 million in 1984 to \$225 million in 1985 left a \$75 million funding shortfall. The Committee addressed several key concerns arising out of this cost escalation and resulting shortfall and relating to the manner in which the private funding for the project had been organized. The Committee questioned:

- the basis for determining capital costs of the stadium, which may have been unrealistically low initially.
- the likelihood that costs would increase again once the design/construction contract was awarded at a fixed price not yet determined.

- the possibility that construction delays or unforeseen infrastructure costs could create further overruns.
- where additional capital financing to cover funding shortfalls would be found.
- whether additional private sector contributors should be sought to enable final capital projections to be met.
- whether the exclusivity and policy of non-competition among private consortium members was fair to would-be corporate sponsors, particularly competing breweries.
- the extent to which sales of box seats, exclusive advertising space and preferred supplier rights could create revenue to offset capital and operating costs.

After extensive investigation into these issues, the Committee passed a motion recommending that an interim report, containing three major recommendations, be tabled in the Legislature. The Committee recommended that the province's contribution to the domed stadium not exceed the \$30 million originally committed to the project by former Premier William Davis; that the Stadium Corporation of Ontario report to the Committee on the outcome of the design/construction competition, the market value of advertising and other benefits to be received by private consortium members, and any new or amended financing arrangements for the stadium; and that the two breweries excluded from the private consortium (Carling O'Keefe and Molson) be accommodated as full participants.

Phase 2

In the second phase of its investigation into the domed stadium issue (January, February and March 1986), the Committee reviewed the outcome of the design/construction competition to ascertain the nature and comparative merits of the successful proposal. Because the design/construction candidate selected was not the lowest bidder, and because the Opposition Members had serious concerns over the awarding of the contract to a construction firm whose president was alleged to have government connections, the Committee attempted to establish the rationale for the Stadium Corporation's selection and judge the appropriateness and fairness of that decision. After hearing testimony from the unsuccessful design/construction proponents and the Stadium Corporation officials, the majority of the Committee was satisfied

that the competition for the contract had been fairly conducted and decided. The Conservative Members on the Committee remained unconvinced, however.

In mid-July the Committee adjourned to Vancouver, where meetings with officials of the B.C. Place Stadium were scheduled. Ongoing concern over whether projected revenue from the sale of box seats, souvenirs and advertising space would sufficiently cover the funding shortfalls and operating costs of Ontario's domed stadium prompted the Committee to seek consultation with those responsible for the operation of B.C. Place Stadium to gauge the type and effectiveness of their revenue-raising efforts. The Committee anticipated that consultation on these matters, as well as the manner in which funding for the \$126 million fixed-roof B.C. Place Stadium was arranged initially, would enable the Committee to renew its questioning of the Stadium Corporation of Ontario and other involved parties more constructively.

In the fall of 1986, the Committee learned that its attempts to open up the private-sector consortium to additional corporate sponsors had been acted upon: the Stadium Corporation confirmed that five new corporate sponsors had been added to the consortium. The Committee was pleased to note that Carling O'Keefe and Molson Breweries were among the new consortium members and that the contributions of \$5 million from each of the new sponsors represented a substantial infusion of much-needed additional capital into the stadium project.

Recommendations

- #25. The Committee recommends that the province's contribution to the financing of the domed stadium not exceed the \$30 million originally committed to the project by former Premier William Davis.
- #26. The Committee recommends that the Stadium Corporation of Ontario continue to report to the Committee any new or amended financing arrangements for the stadium.

#27. The Committee commends the Stadium Corporation for having enlisted new corporate sponsors for the stadium project and recommends that efforts to seek additional sources of private funding continue.

Ministry of Natural Resources,
Forest Management Activity

This matter was referred to the Public Accounts Committee by a motion passed in the Legislature on December 6, 1985. The motion followed the release of the Provincial Auditor's Report on the Audit, Forest Management Activity, Ministry of Natural Resources which, together with the Ministry's response, was tabled in the Legislature.

The Committee met to discuss the findings of the report on forest management on January 30, 1986. Appearing on behalf of the Ministry were the Deputy Minister and other officials. The Committee had also invited the former Minister of Natural Resources, the Member for Cochrane South, to appear as a witness and answer questions about matters raised in the report during his tenure as Minister. Although former ministers are generally not required to appear before legislative committees – indeed, it is ordinarily the current deputy minister who speaks on behalf of a ministry – the Member for Cochrane South volunteered to make himself available to the Committee on this occasion. The Member answered questions as a substitute Member of the Committee, rather than as a witness.

Major Findings

The audit of the Ministry's forest management activity revealed that procedures were adequate for hiring and monitoring of contractors involved in site preparation and planting on Crown land. But controls relating to agreements with private growers and expenditures incurred under Forest Management Agreements required improvement. The following major problems were highlighted:

- Significant weaknesses were observed in the selection of private growers in three of the four northern regions.
- There was no incentive for growers to keep costs down because the higher the cost the higher the grower's profit.
- Over the last five years actual tending had been significantly below targeted expenditure levels.
- Forest Management Agreements (FMAs) do not include a provision allowing the Ministry access to company records of road construction costs.

- Infrequent assessments of the quality of FMA silvicultural activities could adversely affect the successful regeneration of the Province's forests.
- Deficiencies were noted with respect to the Ministry's forest management information systems.

Selection of Private Growers

Upon reviewing the Ministry's procedures for selecting growers, the Auditor reported that there were significant weaknesses in the process followed in three out of four regions. The lack of competitive tendering for contracts was noted in several instances.

The Ministry advised the Committee that the problems cited were symptomatic of the inception of a new industry; in privatizing the production of container tree seedlings for reforestation purposes, the Ministry was establishing an industry which had not previously existed. The Ministry acknowledged that some contracts had consequently been negotiated, rather than tendered. Now that the industry was established, though, the relationship between the Ministry and the growers would change. The Ministry had developed a policy on production of container stock by the private sector which would apply to all future agreements. This policy would require public advertisements for proposals for five-year growing agreements without capital incentives. Commitments for advance funding would be made only when no acceptable proposal is received and no other financial alternative exists.

The Committee was particularly concerned about instances in which a decision of the Minister of the day (the Member for Cochrane South) took precedence over Ministry staff recommendations for the selection of growers and location of greenhouse facilities. In one case, a grower in Sault Ste. Marie had been selected to construct a greenhouse costing approximately \$800,000, while other prequalified proposals had not been considered. Although the Ministry had recommended that this contract be awarded to the grower in the Wawa district, the then-Minister had reversed this decision and changed the location to Sault Ste. Marie. According to the Ministry's ranking of proposals, the one in Wawa ranked first; North Bay and Sault Ste. Marie ranked fourth and fifth respectively. Decisions of the Minister of the day resulted in contracts being awarded in the last two districts.

Explaining his decisions as former Minister, the Member for Cochrane South informed the Committee that he had the location of the nursery changed from Wawa to Sault Ste. Marie because of the need for economic stimulation and employment in the latter area. He also felt that it was necessary to expand further the private greenhouse system along Highway 17. (The Ministry added that, once the decision was made to change the location to Sault Ste. Marie, it was considered inappropriate to advertise for proposals from that area.) The former Minister explained that his decision to proceed with the North Bay proposal (Aqua North) was based on the fact that it combined a tree nursery facility with a fish hatchery and offered some new technology. He added that he had been involved in the Ministry's contract award decisions on only these two occasions, and that both times he was attempting to get smaller, non-integrated companies into the system so that not all the money allocated to FMAs would go to large pulp and paper companies. Finally, the former Minister assured the Committee that decisions regarding where nurseries would be located during his time as Minister of Natural Resources were not politically motivated.

Incentives for Growers to Reduce Costs and Increase Production

The Auditor had reported that growers' cost estimates submitted to the Ministry were based on the previous year's allowed expenses, which are adjusted for expected cost increases, inflation and a profit margin based on costs for the grower. This method of price determination offered growers no incentive to keep costs down because the higher than costs, the higher their profits would be.

The Ministry agreed with the Auditor's finding and indicated to the Committee, as it did in its response to the Auditor's report, that the incentive for the growers to curb costs would be strengthened by the use of a competitive bidding process on the production of all new container stock.

The audit also suggested that there should be some incentive for growers to exceed their target production. The method used by the Ministry to calculate the prices for excess stock was found to be overly generous. Furthermore, the Ministry's policy of paying growers 90 percent of the price of growing their container stock, even though seedlings may never be harvested, warranted a review.

In response to the audit findings, the Ministry had reassessed and subsequently reduced the price paid for excess stock. The 90 percent policy had also been reviewed, and the Ministry had reduced standard prepayments prior to the receipt of seedlings in its 1986 agreements with growers.

Road Construction Under FMAs

The Committee considered the Auditor's concerns about FMA road construction. A number of problems relating to road specifications and inspection procedures had been indentified: road specifications in FMAs varied, yet each FMA company was eligible for the same maximum subsidy per mile; future use of roads was not taken into account when developing road specifications; road inspection procedures varied from district to district; and field staff performing inspections were not always adequately trained.

The Ministry had responded to the Auditor's concerns about road specifications and inspection procedures by reviewing these matters and making adjustments where necessary. The Ministry also indicated that it would consider the Committee's suggestion that the Ministry of Transportation and Communications be consulted on the construction and location of roads built in FMA areas.

The Committee commented that opportunities for abuse in the road construction program could be reduced by increased monitoring of costs. The Committee acknowledged that the Ministry had attempted to improve cost controls in line with some of the Auditor's suggestions and that the Ministry was reducing the amount of funding available for secondary roads and concentrating more on the building of primary roads.

Tending

With respect to the Auditor's observations that there was inadequate investment in tending by the Ministry, the Committee expressed concern over the fact that brush was the dominant species in 66 percent of the areas assessed. Although the Ministry maintained that this percentage was not unusually high and that a predominance of brush does not interfere with satisfactory conifer regeneration, the Committee agreed with the Auditor

that this indicated a need for more tending. The Ministry commented that it was attempting to implement a more balanced forest management program, whereby tending and other activities would be carried out in proportion to planting.

Silvicultural Activities

The Ministry was questioned about its silvicultural activities, which, according to the Auditor, were inadequately assessed to determine whether there was successful regeneration of forests in the province. The Ministry informed the Committee that it was developing new criteria for measuring the effectiveness of the forest regeneration program. After 15 to 20 years of experience with major planting and other methods of silviculture in Northern Ontario, the Ministry felt it was now in a position to assess the standards that were set in the early years of the program. The Ministry was conducting large-scale studies in three northern regions to assess the progress of silvicultural activity.

Complaints About Tree Planting Contractors

The Ministry was asked to comment on reports of poor administration on the part of some tree planting contractors who apparently were not paying wages to their workers and providing inadequate facilities for workers in camps in remote areas. According to the Ministry, when claims for non-payment are validated by the Ministry of Labour, the wages due to the claimant are paid. With respect to the conditions in camps, the Ministry indicated that there was consultation with the Ministry of Health and the Ministry of Labour to ensure that proper conditions were provided.

Release of Auditor's Report

One other matter discussed by the Committee was the Ministry's decision to release the Auditor's report on its forest management activity in its entirety. Ordinarily, the Auditor's full report on ministerial operations is submitted to the ministry involved, a response is provided to the Auditor's office, and a summary of the report and the ministerial response in full appear in the annual report of the Provincial Auditor. This was the first time in the present

Auditor's tenure that a ministry had pre-released publicly a report issued by his office.

Several Committee Members questioned the Ministry's decision to release the report in early November 1985 when a leadership campaign in which the former Minister was a contender was in progress. The Deputy Minister assumed full responsibility for the decision to release the report and added that its release was not intended to damage the reputation of the former Minister during his bid for the party leadership, nor was there any political motivation behind the decision. The Deputy Minister felt that the Auditor's review of the Ministry had offered many valuable suggestions and she was pleased to report that the Ministry had made improvements in all 16 areas dealt with by the Auditor.

Recommendation

#28. The Committee recommends that the Ministry of Natural Resources consult on a regular basis with the Ministry of Transportation and Communications regarding the location and construction of roads built in areas covered by Forest Management Agreements.

Urban Transportation Development Corporation

On December 9, 1985, the Leader of the Opposition tabled in the Legislature a petition which referred the 1984-85 Annual Report of the Ministry of Transportation and Communications to the Standing Committee on Public Accounts. This was the method by which the proposed sale of the Urban Transportation Development Corporation (UTDC) was referred to the Committee for review.

Under a seldom-used provision in the 1978 Standing Orders, a statutory annual report of a ministry for the immediate past reporting period could be referred to a standing or select committee of the House on the petition of twenty Members. The petition tabled on December 9, 1985 represented the first occasion on which the Public Accounts Committee had referred to it an annual report under former Standing Order 33(b). The provisionally amended Standing Orders, which came into effect April 29, 1986, no longer allow for referral of annual reports to committees by petition.

Committee Proceedings

The Committee held a series of meetings in 1986 to inquire into the terms and implications of the UTDC sale before and after it was finalized.

UTDC and government officials involved in the sale negotiations appeared before the Committee on February 27 and 28, 1986 to discuss the status of sale negotiations. At this point, a preferred bidder for UTDC had not yet been selected, and witnesses were unable to respond fully to Committee questions about the terms of the proposed sale as these had not been negotiated. However, the Premier's Special Advisor on Crown Corporations was able to outline the criteria for selecting a preferred bidder and report on the status of the selection process.

In October 1985, twenty firms considered to be possible buyers of UTDC were contacted by the province's financial agent, Wood Gundy. The list of potentially serious bidders for the Crown transit firm had been compiled by Wood Gundy and the government, in consultation with UTDC's president. Three companies, Bombardier Inc., Lavalin Inc. and Versatile Corp., were then

selected as "serious bidders." Versatile Corp. later eliminated itself from the competition. The other two companies signed confidentiality agreements and posted \$1 million deposits (\$900,000 of which would be refundable) to gain access to UTDC's financial records. These companies were allowed one month to review the pertinent data and submit proposals, which they did on February 11, 1986. The Committee was informed that the two bids were still being considered and that a final decision on the preferred bidder would be announced before the Committee's next set of meetings on UTDC in March 1986.

Before meeting again with government and UTDC officials, the Committee travelled to Thunder Bay and Kingston to tour the UTDC facilities in those cities and discuss local concerns about the pending sale of the firm. On March 17, the Committee toured the UTDC CanCar rail manufacturing plant in Thunder Bay and held meetings with plant management and union representatives there. (The CanCar plant was a partially-owned UTDC subsidiary which produced heavy rail vehicles for subway and inter-city rail systems; the plant employed approximately 700 people, of which 630 were unionized workers.)

The Committee travelled to Kingston on March 21, 1986 to tour the manufacturing and testing facilities operated by the UTDC VentureTrans subsidiary and to hear the concerns of employee and local business groups regarding the proposed sale. (VentureTrans Manufacturing Inc. was another partially-owned UTDC subsidiary which specialized in light rail vehicles for new transit systems and employed approximately 300 unionized workers.)

Committee discussions with employee groups in both Thunder Bay and Kingston and business representatives in the latter city revealed that there was considerable concern about the impact of the proposed sale of UTDC on employment levels. Local groups questioned whether a change in ownership would jeopardize job guarantees, whether manufacturing facilities would be retained in Kingston and Thunder Bay, and whether production levels, as well as commitments to research and development, would be reduced.

The Committee raised these and numerous other concerns during meetings held on March 24, 1986. By this time, an agreement had been reached in principle to sell UTDC to Lavalin Inc., although the precise terms of the sale were still under negotiation. The Committee had been provided with various documents outlining the reasons for the selection of Lavalin as the "best bid" and a Wood Gundy valuation of UTDC's worth.

Under the tentative agreement reached with Lavalin, the province would receive a minimum net transfer of \$33.1 million in exchange for UTDC; the province would be entitled to a 25 percent representation on the board of directors of the "New UTDC"; staffing levels at the Thunder Bay and Kingston facilities would not fall below 550 and 150 respectively; Lavalin would spend \$10 million to upgrade UTDC facilities; and Lavalin would absorb 10 percent of the product warranty costs indemnified by the province. The Committee questioned some of these arrangements and the basis upon which certain assumptions had been made. The Committee did not share the government's optimism that Lavalin's \$33.1 million "minimum net transfer" could amount to as much as \$69.4 million in the best case scenario. The Committee was also unconvinced that the Lavalin offer was necessarily superior to the Bombardier offer in term of cash commitments, employment guarantees and product development. Some Committee Members believed that the government should retain a larger percentage interest in UTDC, and the majority viewed the Lavalin commitment to job security for UTDC employees as inadequate.

The Wood Gundy valuation of UTDC was a source of considerable concern to Committee Members. Wood Gundy had valued UTDC assets at \$23.2 million, which was \$38 million less than the value indicated in UTDC's own forecasts. It was suggested that the Wood Gundy report had undervalued UTDC's worth, and that the sale price of the firm had been lowered as a result. The Committee consequently passed a motion instructing the Provincial Auditor to comment on the Wood Gundy valuation of UTDC, with particular attention to Wood Gundy's adjustment to UTDC's earnings forecast and the procedures and techniques used to estimate the value of UTDC's assets.

The Committee met again to review the UTDC sale on May 22, 1986. Discussion centered upon the Auditor's report on the Wood Gundy valuation of

UTDC. The Auditor's report of April 30, 1986 found that UTDC's worth had been underestimated by Wood Gundy. The Auditor suggested that Wood Gundy had been overly conservative in its downward revision of UTDC's forecasted net earnings and that net earnings from new business had not been sufficiently considered in arriving at a valuation amount. The Committee concluded, largely on the basis of the Auditor's findings, that the government could have commanded a higher price from Lavalin for the purchase of UTDC if the transit firm's worth had been more realistically portrayed.

Other matters considered by the Committee at its May 22 meeting included delays in the completion of the sale to Lavalin, which were attributed to the cancellation of the GO-ALRT project for the Metropolitan Toronto area; the winding down of the Vancouver (Skytrain) project and delays in signing new contracts; the province's ongoing liability for performance guarantees on UTDC's Vancouver project and the Detroit People Mover System; and delays in the conclusion of a \$450 million VIA Rail contract, which had further delayed the sale of UTDC to Lavalin.

In July 1986, the Committee travelled to Vancouver, B.C. to attend to several outstanding items of Committee business. One day (July 11, 1986) was spent touring the UTDC-built Skytrain and the system's maintenance facilities and conferring with UTDC officials on various matters. The Committee was particularly interested in learning whether the showcasing of UTDC technology during Expo '86 – both the Skytrain and the UTDC exhibit in the Ontario Pavilion – would result in possible new contracts for the transit firm. Assurances that efforts to market UTDC technology to foreign buyers would likely result in new contracts led the Committee to question again the benefits of selling the Corporation, rather than retaining it as a viable business venture for the province.

The Committee held its final meeting on UTDC on October 30, 1986. The terms of the now-completed sale to Lavalin were reviewed and the controversial severance payment to the former UTDC president was also considered.

The agreement to sell UTDC to Lavalin had been finalized on July 14, 1986, while the Committee was in Vancouver; the takeover of UTDC by Lavalin

took effect on September 17, 1986. The key terms of the final sale agreement were as follows: Lavalin paid \$30 million for the assets and technology of UTDC, \$10 million in cash and \$20 million in a debenture payable at the end of 10 years; the province would receive 25 percent of the pre-tax profits of the New UTDC for the next 10 years and own 15 percent of the common shares of the Corporation; the province was to remain responsible for performance bonds on previous contracts and pledged bonds on new contracts; the government would assume the costs of and profits on \$400 million worth of work to be done on seven existing contracts, while paying Lavalin \$60 million to cover the costs of technical work to be done on these contracts; Lavalin was required to invest \$10 million in upgrading UTDC operations and pay a penalty of \$1 million per year if the number of hourly jobs falls below 550 in the next four years.

The Committee continued to question the economic benefits to the province of the UTDC sale. The requirement that the province honour performance guarantees on UTDC systems and the adequacy of employment guarantees concerned the Committee, as did the refund of Lavalin's \$1 million deposit and the fact that the \$20 million debenture was as yet unsigned. However, the Committee did approve of the provision in the sale agreement which prevented Lavalin from selling the New UTDC for at least five years. This no-flip provision, which had been recommended by the Committee during earlier meetings, was considered an important method of ensuring Lavalin's commitment to corporate development and employment security.

The Committee was critical of the severance package of the former UTDC president who had received two years' base salary in severance (\$320,000), a pension of \$48,000 and an additional \$37,500 per year of deferred compensation. The Committee also learned that the cost to the province of 71 terminations resulting from the Lavalin takeover had been just under \$3.5 million. Although the Committee believed that the former UTDC president and the other employees whose jobs had been terminated were entitled to severance payments, the Members questioned the fact that these payments came from the account of the former UTDC rather than the New UTDC. As Lavalin, the owner of the New UTDC, was responsible for the job reductions, the Committee suggested that it should have assumed some share of the severance costs.

Ontario Pavilion, Expo '86

Pursuant to a July 9, 1986 Order of the House permitting the Public Accounts Committee to travel, the Committee adjourned to Vancouver, B.C. to hold meetings on the domed stadium and the Annual Report (1985) of the Ministry of Transportation and Communications. This was the Committee's authority for holding meetings on UTDC and the Ontario Pavilion, Expo '86, both of which fell under the jurisdiction of the Ministry of Transportation and Communications.

The Committee viewed the Ontario Pavilion and other Expo '86 exhibits on several occasions during its stay in Vancouver. On July 12, 1986, the Committee met with officials of the Ontario Pavilion to discuss construction and operating costs of the Pavilion and to consider the fate of the Pavilion after the conclusion of Expo '86.

The Committee concluded its deliberations over the Ontario Pavilion several months later. At its meeting of October 7, 1986, the Committee reviewed the updated costs and disposal strategy for the Pavilion with the Chairman of the Pavilion's board of directors.

Construction and Operating Costs

During its July 12, 1986 meeting with the Ontario Pavilion Commissioner and other senior officials, the Committee inquired about reported cost overruns. The Pavilion's original budget of \$22 million in 1982 had increased to over \$30 million. Pavilion officials explained that this increase did not represent a construction cost overrun, but that additional advances had been requested from Management Board to cover operating expenses.

Most of the additional capital required was devoted to the Pavilion's restaurant, which had become a successful full-service dining facility. Additional funds were also required to cover certain unanticipated costs, such as those associated with Ontario Day celebrations, 3-D glasses for film viewing and the Pavilion's entertainment program. Pavilion officials pointed out that some of the costs associated with construction and operating the facility were being offset by revenue generated by the restaurant. They also

expected future cost recovery to come from the sale or relocation of equipment, facilities and exhibits following the closing of Expo '86.

When the Ontario Pavilion Chairman appeared before the Committee on October 7, 1986, shortly before the conclusion of Expo '86, he was able to confirm that the final costs of the Pavilion were almost \$8 million higher than original estimates. He did not consider the total bill for the Pavilion unreasonable, however, considering the quality and success of the facility. Inflation and an unexpected number of visitors to the Pavilion accounted for the higher total. But expected recoveries of \$2 million from the sale of items in the Pavilion would lower its total cost to approximately \$28 million. The Pavilion Chairman also noted that the Ontario technology on display in the Pavilion would likely bring \$30 million in sales to the province, and thus further justify its costs.

Future of the Ontario Pavilion

Committee Members found the Ontario Pavilion to be impressive in appearance, well-managed in its operations and very popular as a visitor attraction. The Committee therefore questioned the necessity of demolishing the Pavilion, rather than preserving it as a permanent exhibit centre upon the closing of Expo '86.

Pavilion officials in Vancouver informed the Committee there was no possibility of the Pavilion remaining permanently on the Expo site; the Pavilion had been constructed on the understanding that it would be temporary and that the land on which it was situated would be used for other purposes upon the closing of the exposition. However, the feasibility of relocating or reusing parts of the Pavilion in an Ontario setting was being considered. Officials were fairly certain that whatever could not be salvaged for public display and use would be sold to private buyers so that the province could recoup some of its investment in the facility.

Plans to relocate, reuse or sell off parts of the Pavilion were more clearly defined by the time the Committee met with the Pavilion Chairman in early October. The Committee learned that the Pavilion's "Dark Exhibit" would be advertised for sale; the 3-D film and screen would be sold to Ontario Place, but copies of the film would also be made available to the Ontario Science Centre and Science North, both of which had expressed interest in it; the

mock space arm would go to Science North; the equipment from the Trillium Restaurant would be sold by auction or advertisement; and the furnishings from apartments provided for the commissioners and other officials would be offered to ministries on a first-come, first-served basis.

Although the Committee approved of these arrangements for salvage or sale of movable assets, the Members continued to regard the demolition of the Pavilion itself as regrettable. The Committee also found it surprising that the demolition would cost the province \$200,000. But the costs of relocating the Pavilion, excluding exhibits, to Ontario would have been \$12 million, according to the Pavilion Chairman.

Workers' Compensation Board Matters

On May 12, 1986, the Public Accounts Committee passed a motion calling for an inquiry into the provincial safety associations, a review of the Downsview Rehabilitation Centre expenditures and an audit by the Provincial Auditor of the Industrial Accident Prevention Association. The preamble of the motion referred to section 84 of the Workers' Compensation Act, which empowers the Provincial Auditor to audit the accounts of the Workers' Compensation Board (WCB), including the accounts of the safety associations which receive WCB funding. This served as the Committee's authority for undertaking an investigation of the safety associations, the WCB Rehabilitation Centre and instructing the Provincial Auditor to perform a comprehensive audit of the Industrial Accident Prevention Association, the expenditures of which were regarded as particularly contentious.

Rather than review the operations and expenditures of all all nine provincial safety associations, the Committee decided to hold hearings on four associations: the Industrial Accident Prevention Association; the Farm Safety Association; the Mines Accident Prevention Association and the Construction Safety Association. In accordance with the May 22 motion, the Chairman of the WCB and the Deputy Minister of Labour were among those in attendance for meetings regarding the safety associations and the Downsview Rehabilitation Centre.

Industrial Accident Prevention Association

The Committee's first meeting to discuss the administration, management controls and spending of the Industrial Accident Prevention Association (IAPA) took place on June 5, 1986. Committee Members raised concerns about a number of IAPA practices and expenditures, including:

- how the IAPA spent the \$15.2 million it received in 1985 from the WCB for the provision of health and safety education programs and services.
- the expense accounts of IAPA executive members and accountability for travel, hospitality and other expenses.
- the relocation of IAPA headquarters in 1984 to expensive rental office space at 2 Bloor Street West.
- the number of boardrooms in the IAPA's new offices and the commissioning of portraits of past and present general managers to decorate these premises.
- the justification for the IAPA spending approximately \$46,000 in legal fees and \$12,000 in club memberships in 1984.
- the IAPA's apparent endorsement of a past president's visit to South Africa, which was reported in the Association's October 1985 newsletter, despite the fact that both the then Minister of Labour and the then Chairman of the Workers' Compensation Board had objected to this unofficial visit.
- the role and accountability of the IAPA's board of directors, and the representation of women and labour on the board.
- the adequacy of geographical representation on the IAPA board of directors in its membership and its service delivery.

The IAPA's current President and two former Presidents – all voluntary members of the Association's board of directors – could not respond to the concerns raised by the Committee during the June 5, 1986 meeting. The Committee expressed strong displeasure over the failure of the IAPA's top salaried administrators to appear at this meeting to explain the various matters for which they were directly accountable. The Committee delayed further consideration of the IAPA until the appropriate officials could appear to respond to serious questions raised about the Association's spending and activities.

On June 19, 1985, the Committee resumed its investigation of the IAPA, this time with the Association's Executive Vice-President and General Manager and the Director of Media and Public Affairs in attendance. Although the Committee was able to learn more specific details of the Association's spending and activities, many of the revelations drew sharp criticism from the Members. The Committee found it particularly disturbing that the Association had regularly paid travel costs for officials' wives accompanying them on business in and outside of Canada. The Committee regarded the amount of business travel as excessive and considered many of its executives' spending in other areas unjustifiable. What concerned the Committee Members most was the Association's inability to justify – at least to the Members' satisfaction – such spending in terms of its mandate to reduce accidents in the workplace through health and safety education. Given the increasing rate of workplace accidents in the province, the Committee found that the IAPA's expenditures on activities not directly related to safety education and accident prevention were inexcusable.

The Committee did note, however, that the IAPA had revised some of its spending practices in response to Committee concerns: the Association would no longer pay expenses for spouses accompanying staff on business travel and several club memberships for staff would not be renewed. Although the Committee approved of these policy changes, many questions and concerns remained unsatisfied. The Committee Members agreed to schedule further meetings with IAPA officials after the Auditor's office completed its review of the Association and reported the results to the Committee.

The October 1, 1986 Report on the Audit of the Industrial Accident Prevention Association observed that:

- There were significant weaknesses in the Association's controls and practices with respect to travelling and hospitality expenses, purchasing procedures, movable assets and inventory of literature.
- Adequate mechanisms to measure the effectiveness of the safety associations were not yet in place, although progress was being made in designing a system to determine how well each association was meeting its objectives.

The Report on the Audit offered more specific findings, many of which confirmed or elaborated on earlier charges by the Committee that the Association had been extravagant in its spending practices.

The Committee met with IAPA officials again to review the findings of the Auditor's office on October 6 and 7, 1986. Although the Committee was advised by the Auditor's staff and the IAPA officials present at these meetings that the Association was, as a result of the audit, tightening controls in certain areas of its operations, the Committee felt that additional scrutiny over IAPA spending and management was still warranted.

On November 6, 1986, the Committee debated a twenty-point motion recommending various changes to the IAPA's financial and administrative operations and implementation of related measures to improve health and safety services. The Committee agreed to recommend:

- #29. That the IAPA's spending and management controls be monitored more scrupulously by the Workers' Compensation Board (WCB) on an ongoing basis.
- #30. That the IAPA develop a more efficient accounting system and that a stronger system of accountability to the WCB be developed. The WCB should review the Auditor's report on the expenditure approval process and correct the deficiencies noted.
- #31. That the tripartite Occupational Health and Safety Education Authority, consisting of industry, labour and government representatives, play an active and decisive role in the provision of health and safety services.
- #32. That labour be given an opportunity to become more involved in occupational health and safety decisions.
- #33. That the IAPA increase the representation of women on its Board of Directors and in its management structure and that this be done on an urgent basis.

- #34. That the WCB attempt to recover the money overspent or spent without proper authority by the IAPA.
- #35. That the current IAPA upper management be reviewed and a new position for controller should be created.
- #36. That the IAPA improve and expand information services to workers and that complaint procedures in particular be fully explained.
- #37. That the IAPA courses and seminars be restructured so that more time is spent on the meaning and enforcement of the Occupational Health and Safety Act.
- #38. That the IAPA make data sheets available to all member firms and workers and inform them that data sheets are available.
- #39. That the WCB's Occupational Health and Safety Education Authority (OHSEA) conduct or commission a behavioural study of the effects of accident prevention education on workers to measure the success of programs, conferences and other training efforts.
- #40. That the IAPA decentralize certain of its operations and functions so that conferences and meetings, for instance, take place in the region of the province where more of its client base can be better served.
- #41. That the IAPA revise its conference planning so that there is a more concerted effort to accommodate such events in hotels which offer the lowest rate.
- #42. That IAPA management be required to seek either government or commercial rates in hotels when they travel on business.
- #43. That the IAPA's hiring policy be changed so that the practice of hiring relatives, particularly those who are students hired for summer employment, be discontinued. The Committee further recommends that the Provincial Auditor re-examine the IAPA's hiring practices in one year's time.

#44. That the Provincial Auditor review the IAPA's practice of having some of its publications printed in the United States. If the IAPA's claims of greater economy and efficiency in this regard cannot be substantiated, the Committee recommends that all IAPA publications be printed in Canada.

#45. That the health and safety advertisements of the IAPA and other safety associations be revised to portray a more balanced picture of where the responsibility for accident prevention rests. Advertisements and promotional literature should not place the onus for accident prevention on the workers only.

The Committee adopted the following three recommendations on December 12, 1986:

#46. That the funding devoted to organized and unorganized workers in the provision of occupational health and safety services be dramatically increased.

#47. That clinics to provide medical services and conduct testing for work-related illnesses be established.

#48. That the practice of organizing expensive annual conferences be discontinued as such events cannot be justified in terms of previous years' low participation rates and excessive costs.

Farm Safety Association

Officials from the Farm Safety Association (FSA) appeared before the Committee on June 12, 1986. The Association's President, General Manager and Public Relations Co-Ordinator, responded to questions concerning the mandate, operations, effectiveness and expenditures of this safety organization. In contrast to the Committee's findings with respect to the Industrial Accident Prevention Association, the Committee concluded that the Farm Safety Association was an effectively administered organization that pursued its mandate conscientiously and economically.

Groups Represented by FSA

The Committee learned that the FSA has approximately 26,000 member firms representing agricultural employers in Ontario. As this membership is far too large for the Association to work with and visit regularly, field staff concentrate on the approximately 400 employers with a payroll in excess of \$125,000. Because there had been an increasing demand for FSA services – including safety audits, technical consulting, supervisory seminars and employee training – the Association anticipated that its area of concentration would widen in the future.

The FSA acknowledged that the number and types of groups that it covers fluctuate, but noted that it was trying to rectify problems relating to lack of coverage of some worker groups and employers in the province. The Association also commented that certain groups, such as landscapers, were loosely classified as farmers and were therefore covered by the FSA. The Association was also attempting to sort out classification problems of this kind so that its services and programs could be directed to the groups for which they were designed.

Accident Frequency Rates

The Committee noted that farming is one of the few areas in which accidents and workplace deaths have declined in recent years. Although the FSA could not account for this trend with any certainty, officials felt that there was a

greater awareness of safety factors among farmers, partly due to the Association's efforts, and that this may have been reflected in the downward trend in accident rates. It was also pointed out, though, that statistical trends may be misleading as accident information is not always reported and not all farms are represented in the figures compiled. Mandatory reporting of farm accidents would increase the reliability of these statistics.

FSA Funding

The Committee questioned the fact that the WCB allocation for the FSA is \$8.38 for every farm worker, while it is \$59.05 for construction, \$60.87 for mining and \$65.56 for forestry. Asked whether the Association received adequate funding to delivery its programs and services, the President responded that it may require a substantial increase in its budget, but as the youngest of the safety associations, the FSA was still uncertain of its budgetary requirements. However, the Association had increased staff levels and introduced new programs addressing the health as well as safety aspects of farming, and these developments would likely result in a request for substantial budget increases. The Association also noted that it is looking into the possibility of receiving financial assistance from the Ministry of Agriculture and Food.

FSA Staff Expenses

The FSA assured the Committee that it follows WCB policies "to the letter" with respect to travel, vehicle and other expenses. The Association's spending on staff memberships in relevant organizations is modest (\$1,800 in 1985) and out-of-province travel is infrequent. It is the Association's policy that spouses accompanying their staff on business travel must pay their own expenses. The Association rarely requires legal advice, and expenses in this area are minimal. On those occasions when legal counsel is required, the Association consults the WCB for assistance and advice from their legal department.

The FSA's accounts are audited by a private auditing firm. The Association's executive reviews its budget monthly, and the board of directors reviews it quarterly.

Mines Accident Prevention Association of Ontario

The Committee turned its attention to the services and activities of the Mines Accident Prevention Association (MAPAO) on June 26, 1986. Association officials responded to specific Committee questions after a statement outlining MAPAO goals and initiatives was read into the record.

Death/Inquiry Rates and Compensable Diseases

One of the Committee's major concerns was the incidence of fatalities and injuries due to lung disease in the mining industry. The MAPAO reviewed efforts it had made in recent years to reduce fatalities and lost-time accident frequency, many of which the Committee conceded had been effective.

Some Committee Members also questioned the basis for WCB decisions that miners suffering from chronic obstructive lung disease were ineligible for compensation. Although the MAPAO was not in a position to judge whether a disease was compensable, the WCB Chairman, Dr. Robert Elgie, undertook to respond to the Committee's inquiries. The Committee received an official response in a letter dated September 23, 1986, in which Dr. Elgie commented on the Board's practice of distinguishing between a diagnosis of chronic obstructive lung disease and emphysema and a diagnosis of silicosis in determining eligibility for compensation. This correspondence also responded to another matter raised in Committee, that being whether studies had been or were being done to determine whether there was a correlation between chronic obstructive lung disease and mining.

Diagnostic Clinics

Another matter that was raised with MAPAO officials was whether WCB funding could be sought to establish clinics to test and diagnose mine workers for lung disease. While some Committee Members expressed strong support for the creation of independent, worker-controlled clinics, the majority of the Committee felt that while such clinics were desirable, they should be controlled by the WCB. The Committee as a whole endorsed the idea of improved medical services for mining employees.

Labour Representation on MAPAO

Committee Members considered whether labour representation on the MAPAO board of directors was adequate. The MAPAO responded that it perceived labour representation as necessary and meaningful, and that labour participation on the board was actively encouraged. The Association had enlarged its board to include two members from labour, but the recent withdrawal of labour from public participation in the Association's affairs was a source of serious concern. MAPAO officials offered the Committee assurances that they were attempting to renew and expand labour representation on the Association's board and on its standing committees. Despite these assurances, the Committee regarded current levels of labour participation – two out of fifteen board members – as insufficient and suggested that the role and influence of labour in decision-making could be considerably enlarged. (The Committee's earlier-noted recommendation regarding increased participation of labour in safety association management addresses this concern.)

Amalgamation of Safety Associations

The possibility of combining safety associations with overlapping mandates was discussed briefly. It was the MAPAO's position that it should remain a distinct entity and that the current arrangement was working well. The MAPAO added that, since separating from the trade association in 1981–82, it has provided effective representation to 90 percent of the mining industry. Unlike the construction industry, with its large number of constituents, the mining industry was more concentrated, and presented fewer difficulties in terms of representing or choosing representatives to speak for the industry's interests.

Construction Safety Association of Ontario

On September 29, 1986, the Committee reviewed various aspects of the Construction Safety Association's (CSAO) operations. The Committee concentrated on several main issues: rising injury rates in the construction industry, the role of labour in construction safety, and the Association's controversial television advertisements.

Injury Rates

Committee Members and CSAO officials disagreed in their respective interpretations of accident frequency rates. While the CSAO's opening statement to the Committee highlighted comparative statistics which showed a decline in the rate of workplace injuries, the Committee pointed out that, according to Ministry of Labour figures, accident rates had risen dramatically. WCB reporting of accident claims, from which the CSAO derived its statistics, and the Ministry of Labour's account of injuries in its two most recent annual reports, which the Committee consulted, appeared to account for the differences in interpretation.

The Role of Labour in Safety Training

The Committee concluded, much as it had when reviewing the MAPAO, that labour representation on the CSAO's board of directors was inadequate. With only 15 labour representatives on its 100-member board of directors, the CSAO's commitment to increasing the participation of labour in its decision-making processes was considered questionable by certain Committee Members. It was suggested that the effectiveness of CSAO health and safety training initiatives could be enhanced by greater involvement of workers and unions in planning and decisions that directly affect them. The disparity between what trade unions receive in funding to educate their membership (\$1.7 million) and the funding allocated to the CSAO (\$8.1 million) was noted.

Safety Promotion Advertisements

After viewing several CSAO television commercials on videotape, the Committee questioned the portrayal of workers in these advertisements. In

some of the commercials, the accident victims were portrayed as entirely responsible for their injuries. The Committee pointed out that responsibility for construction site safety is also shared by company management, which under provincial legislation, must provide proper safety equipment and ensure that working conditions pose no hazards. The Committee therefore recommended that construction safety advertisements portray a more balanced view of the shared responsibility for accident prevention. (This recommendation is included in the preceding set of recommendations stemming from the Committee's hearings on the Industrial Accident Prevention Association.)

The Committee was generally supportive of the graphic detail used in these commercials, many of which have won awards and been requested for use in other countries. The shock value of these commercials in revealing the often gruesome results of inattention to workplace safety was considered an effective way of alerting both employers and workers to potential dangers on construction sites.

Downsview Rehabilitation Centre

On the morning of October 1, 1986, the Public Accounts Committee visited the WCB Rehabilitation Centre in Downsview to view the facility and the types of rehabilitative services it has developed. The Committee returned to Queen's Park that afternoon to discuss in greater detail the operations of the Centre with several of its senior staff and with WCB and Ministry of Labour representatives. As well as considering the Centre's specific approach to rehabilitation, the Committee questioned witnesses about the concept of rehabilitation and how it has been or could be addressed to improve service delivery throughout the province.

Decentralization of Rehabilitation Services

One area in which the Committee perceived a need for improvement of service delivery was in the provision of more regional rehabilitative facilities. The Committee echoed the concerns of Northern Ontario residents, who have frequently complained about injured workers from the region being required to travel to the Downsview Rehabilitation Centre to receive treatment, when such services are or could be made available regionally. It was also suggested that decentralization could, to some extent, alleviate the overcrowding problems and case load backlog that the Downsview Centre has experienced.

Officials from the WCB agreed that decentralization was desirable and indicated that this was the direction in which they were heading. They emphasized the need to work with communities to address staffing requirements for providing client services on a regional basis. Regional offices were expected to be opened in Hamilton and Thunder Bay shortly, and centres in Ottawa and Kingston were being considered. A shortage of qualified personnel to form the multidisciplinary teams required to staff regional centres was delaying further expansion of services. However, it was anticipated that once these difficulties were overcome, there would be growth in the number of local treatment centres, which would in turn spread the case load. More effective management of the early care of injured workers could also reduce the overall case load.

The Committee was also informed that efforts to relocate rehabilitation personnel to Laurentian Hospital, Sudbury were still under negotiation. The Sudbury Health Council was working with WCB staff to identify needs and analyze the costs involved in this proposed undertaking.

Re-Employment of Injured Workers

The Committee was concerned about the unemployment rate among injured workers. With respect to the inability of many rehabilitated workers to return to some form of employment, the WCB representatives pointed out that this problem was being addressed in part by the introduction of early counselling and retraining programs. The Board had found that injured workers who receive early assessment and treatment stand a greater chance of re-entering the work force in their chosen vocation. Limited time supplements payable to eligible workers under subsection 45 (5) of the Workers' Compensation Act also facilitate re-entry into the workforce. Although these wage differential supplements are considered a rehabilitation measure, the WCB Chairman noted that they are not wage replacements.

Assessments and Treatment of Injuries

Committee Members raised a variety of concerns relating to the nature and quality of medical examinations performed on injured workers to assess their eligibility for compensation and rehabilitation. The WCB was asked to comment on allegations that medical examinations were not properly conducted and that some doctors were charging excessive fees for providing their patients with reports attesting to injuries sustained on the job. The importance of psychological testing for injured workers was also considered.

The Committee was advised that medical staff at the Downsview Rehabilitation Centre are instructed to provide thorough initial examinations and that patients are re-examined subsequently in all areas where treatment takes place. Staff doctors are considered qualified to assess the type, extent and rehabilitative progress of patients' injuries.

The WCB Chairman reviewed the Workers' Compensation Act provisions for payment of physicians involved in the diagnosis and treatment of workers' injuries. Section 53 requires the physician to present injury reports to the Board at its request and at no cost. The Board's fee schedule takes into account extra costs of physicians who may be involved in caring for injured workers. If the Board approves a patient seeking a further opinion from another physician, the Board also pays for that other physician's report. However, the Board will not approve repeated consultations unless these have a significant impact on the ultimate decision to award compensation and/or provide treatment. Thus, injured workers should not have to contend with payments to doctors for injury reports, as such costs should be reimbursed by the WCB. Nevertheless, the Chairman of the WCB acknowledged that there may be cases where injured workers are saddled with physicians' reporting costs and indicated that this issue would be reviewed further.

According to both the WCB and the Downsview Rehabilitation Centre staff, psychological testing did play an important role in assessing workers' disabilities. There was no attempt to minimize pain for which no organic causes could be found. The Centre's multidisciplinary team approach was designed to ensure that the emotional trauma, as well as the physical effects of injury, were assessed and treated.

Although the Committee was generally satisfied with the Centre's assessment and treatment policies, it was suggested that patients who do have complaints about the treatment they receive or against staff members should be more clearly informed of how to lodge their complaints. The Chairman of the WCB observed that, while complaint mechanisms were in place, the informational literature on the Downsview Centre would be reviewed to determine whether the complaint process should be highlighted.

Allegation of Conflict of Interest
Concerning Elinor Caplan, MPP

This account of the inquiry into conflict of interest allegations against Elinor Caplan, MPP is essentially a distillation of the Public Accounts Committee's reports on this matter. The Committee's first report was tabled with the Clerk of the Legislature on September 18, 1986. On October 2, 1986, the Committee passed a motion to adopt a second report. Both reports were formally presented to the Legislature by the Committee Chairman on October 15, 1986.

Background

The matter of the alleged conflict of interest regarding Elinor Caplan was first raised in the Legislature on June 10, 1986. It was revealed that the second largest investment made by IDEA Corporation, a provincial Crown corporation which was wound down on June 30, 1986, was a \$3 million grant to Wyda Systems (Canada) Inc., a computer software firm that retained as its financial consultant the spouse of a senior Cabinet Minister. That Cabinet Minister was Elinor Caplan, who then held a triple Cabinet portfolio as Minister of Government Services, Chairman of Management Board and Chairman of Cabinet. Her husband, Wilfred Caplan, provided financial services to clients, primarily Wyda, through his company, Damaza Consultants Ltd.

On June 11, 1986, the Premier read a statement in the House which commented on the circumstances of Wilfred Caplan's association with Wyda and the IDEA investment. That statement concluded, on the basis of information and documentation then available, together with the opinion of the Assistant Deputy Attorney General (Civil Law), that the Caplans were not in breach of the 1985 Conflict of Interest Guidelines.

The following day, it was disclosed in the Legislature for the first time that Wilfred Caplan was designated as Vice-President of Finance of Wyda. It was also disclosed that day by a newspaper article published in one of the Toronto daily newspapers that Wilfred Caplan's retainer had been changed from \$2,000 per month to \$8,000 per month concurrent with the financing for the IDEA investment in Wyda closing.

Elinor Caplan's statement to the House on June 16, 1986 was intended to clarify any confusion or misunderstanding that may have arisen previously. Her explanation was not readily accepted by the Opposition parties and she thereupon resigned her Cabinet position. That same day, on motion by the Honourable Robert Nixon, the Legislative Assembly ordered:

That the matter of the alleged conflict of interest concerning the Honourable Elinor Caplan be referred to the Standing Committee on Public Accounts for immediate consideration by the Committee and report of its findings.

Committee Proceedings

At its organizational meeting held on June 23, 1986, the Public Accounts Committee retained legal counsel and, with the assistance of counsel, determined its procedures and defined the following issues respecting which findings and recommendations might be made:

1. What is the meaning and scope of the Guidelines with respect to Conflict of Interest dated September 1985?
2. Has there been an apparent breach or an actual breach, either deliberate or inadvertent, of the Guidelines by reason of Wilfred Caplan's personal or corporate association with, efforts on behalf of and remuneration received from Wyda Systems Inc.?
3. What is the nature and extent of the investment by the IDEA Corporation in Wyda and was that investment made at all as a result of political influence?
4. Do the existing Guidelines impose adequate and/or clear obligations and restrictions on Ministers of the Crown? If the answer is NO, then how may these obligations and restrictions be strengthened, clarified, and applied?

Subsequently the Committee conducted hearings on 11 days during the period June 25, 1986 to August 8, 1986. (Witnesses who appeared before the Committee are listed in Appendix B of this report.)

First Committee Report

The Committee deliberated its first report over a period of five days in August 1986. The following is a summary of the report's major findings and

recommendations, which were arranged to correspond in format with the four issues the Committee set out to address.

With respect to the meaning and scope of the 1985 Conflict of Interest Guidelines, the Committee acknowledged that there were several reviews of the Guidelines taking place concurrently. The Committee's report observed and recommended as follows:

#49. The Committee is profoundly concerned that no one interpretation of the 1985 Guidelines take precedence over another. Rather, what is required after all of the opinions have been expressed, is a mechanism whereby all of the opinions given can be considered so that appropriate advice and recommendations can be made on the future of the 1985 Guidelines. The Committee recommends that the Premier create a special committee of the Legislature to perform this function.

With respect to whether the Guidelines had been breached by reason of Wilfred Caplan's association with Wyda, the Committee concluded that:

The new (1985) guidelines were less harsh than those in force previously in that they expanded the blind trust provisions and in that they allowed a private company in which a Minister or his or her spouse has an interest to do business with the government, provided the company is placed in a blind trust.

Wilf Caplan was in breach of the conflict of interest guidelines. He had an interest in Wyda. He participated in the negotiations for the IDEA investment. He was held out as an officer of Wyda.

Some people associated with Wyda were close to the government. It is the view of this Committee that it may have been one of the factors which weighed upon IDEA in respect to the Wyda investment. Given the expressed intent of the government to wind down the IDEA Corporation, some staff and officers may have sought to change the government's position with regard to the future of the Corporation and their own careers. The extent and nature of the weight given by IDEA personnel to these particular circumstances is not capable of precise and accurate assessment.

Elinor Caplan exercised poor judgment. She intended to comply with the conflict-of-interest guidelines. She did

not live up to her responsibilities as a cabinet minister to ensure that she was fully aware of her spouse's business activity and to ensure that her spouse was in compliance. There is no evidence of Elinor Caplan having exerted political influence to aid in the decision of the IDEA Corporation to invest in Wyda.

With respect to the nature and extent of the IDEA Corporation investment in Wyda, the Committee commented:

IDEA invested 3 million dollars in return for 27 percent of the equity of Wyda. Consistent with IDEA's mandate, the investment was structured so as to encourage the company in developing, manufacturing and marketing a solid modular based CAD/CAM (computer aided design/computer aided manufacturing) system and consequently enhancing the high technology industry in Ontario. In other words, IDEA intended that the money would, in substantial terms, be used to overcome the obstacles and problems which existed and which had to be mastered before the product could be marketed.

The Committee did not receive any evidence that, prior to the decision to invest, IDEA personnel intended that a substantial portion of the monies invested would be used to pay down long-term debts. Nor does it appear that IDEA sufficiently assessed the nature and extent of Wyda's long-term debt situation and whether any real need existed to retire those debts immediately or at all.

In any event, a substantial portion of the \$3 million has been employed in a manner not contemplated by the IDEA Board of Directors. The impact that it has had on the nature of the investment is not possible to assess from the evidence the Committee has heard. However, because so much of the \$3 million was paid out almost immediately after the investment was made, Wyda will be in need of further capital sooner than projected. That is best evidenced by the subsequent decision of the IDEA Board of Directors to invest a further half million dollars in Wyda on fulfillment of certain conditions referable to the product development. To date, that transaction has not been finalized. The Committee understands that ODC, which now controls the IDEA portfolio, has deferred that decision pending this Committee's report.

With respect to the adequacy of the existing Guidelines the Committee concluded that they impose neither adequate nor clear obligations and restrictions on Ministers of the Crown, and consequently recommended as follows:

- #50. The Guidelines must be replaced by legislation or regulations under appropriate existing legislation.
- #51. The role and plain meaning of new conflict of interest provisions should be clarified to allow for unequivocal interpretation and advice.
- #52. Appropriate and effective mechanisms for interpretation, enforcement and monitoring of provisions should be developed. With respect to interpretation, responsibility for providing advice to a minister should be vested in a non-partisan and independent advisor.
- #53. Provision should be made for a non-partisan and independent arbiter for conflict of interest compliance.
- #54. The imposition of an arbiter should not remove responsibility for compliance from a minister nor relieve the premier of his obligation to monitor compliance. The necessity for responsible government with regard to compliance should not in any way be diminished.
- #55. A blind trust provision, where and if appropriate, should be carefully structured to protect against a minister directly or indirectly benefitting from or providing a benefit to his holdings.
- #56. Any blind trust provision must define precisely the responsibilities of the trustee in the administration of such trust on behalf of a minister.
- #57. The Committee recommends that any obligations currently set out in the Guidelines continue to apply to ministers and their spouses as defined under the Family Law Act and to children as set out in municipal legislation. The definition of children should be expanded to include at least those who continue to reside with or are

dependent upon ministers and their spouses. Consideration should also be given to expanding the definition of children to include all children, regardless of residence, age or financial dependence.

- #58. The Committee recommends that post-employment restrictions on ministers need not be imposed as such provisions are not warranted at present.
- #59. The Committee recommends that there should be a more comprehensive definition of types of interests which must be disclosed and that this should include full disclosure of all beneficial interests. Furthermore, disclosure of newly-acquired interests should be required. Ongoing disclosure requirements should be monitored so that failure to report changes in circumstances can be detected and penalized.
- #60. The Committee recommends that an arbiter for compliance with conflict of interest provisions be an officer of the Legislative Assembly, appointed in the same manner as the Ombudsman or the Provincial Auditor. Similarly, advice on interpretation and compliance should be provided by a non-partisan appointee operating under the jurisdiction of the Assembly rather than as a government official.
- #61. The Committee recommends that apparent conflicts of interest be avoided as conscientiously as actual conflicts of interest and that this principle, to the extent possible, be included and emphasized in new laws or regulations.

Second Committee Report

Differences in interpretation of the Committee's report on the Caplan matter, particularly the findings in respect of the third issue, prompted Opposition Members on the Committee to support the adoption of a second report. This second report restated the conclusions of the Committee as follows:

Mr. Caplan's role as an officer of the Wyda Corporation and in particular his involvement in negotiations between Wyda and IDEA, a Crown corporation of the province of Ontario, are a clear breach of these guidelines, and a conflict of interest.

The guidelines apply to Wilf Caplan as the spouse of Elinor Caplan. It was clearly her responsibility, as well as the Premier's, to be certain that she and members of her family acted at all times in compliance with the guidelines. Her assertion of ignorance of her husband's activities is not a defence. It was her responsibility and obligation as a minister of the Crown to know.

Elinor Caplan was therefore in breach of the Premier's own guidelines governing conflict of interest.

The Premier is, by his own admission, at fault for failing to enforce the guidelines he had adopted. Despite the changes he inserted in the previous guidelines, it has been clear since 1972 that they apply to spouses. They therefore apply to Elinor and Wilf Caplan, as was clearly known by the Premier, Mrs. Caplan, and her husband.

It is therefore this Committee's judgment that Elinor Caplan should not be re-appointed to the Cabinet before the submission of the Aird report [on conflict of interest commissioned by the Premier], and the launch of a new process to better govern conflicts of interest through legislation.

Issuance of Speaker's Warrant

Another matter that arose during the Caplan inquiry merits some comment. After hearings on this issue were concluded, the Committee passed a motion on August 8, 1986, requesting that the Premier release a confidential report on the holdings of Cabinet ministers which had been prepared by the law firm, Blake, Cassels and Graydon. Some Committee Members believed this report would be useful in helping the Committee draft its own report. This report was in the possession of former Lieutenant-Governor John Black Aird, who was using it to assist him in the preparation of his study of conflict of interest guidelines. (This was one of several concurrent reviews of the guidelines referred to earlier.)

As the Premier did not comply with the Committee's request for the Blake, Cassels and Graydon report, the Committee took the unusual step of seeking a Speaker's Warrant against the Premier to acquire the document. The Speaker, whose decision to issue such a warrant is discretionary, complied with the Committee's request, and the Warrant was issued on September 17, 1986. The Premier subsequently provided the report to the Committee. This was the first time in the history of the Ontario Legislature that a Speaker's Warrant had been sought or issued against a Premier.

IDEA Corporation Investments

During the Committee's inquiry into the conflict of interest matter described in the preceding section of this report, a number of concerns surfaced with respect to investments made by the IDEA Corporation before it was dissolved at the end of June 1986.

Additional Audits of Individuals and Companies

On October 2, 1986, the Committee passed a motion calling for a full and complete audit of the financial affairs of three individuals and three companies to determine any payments made with respect to the matter under Committee investigation. The Provincial Auditor was later instructed by the Committee to approach the individuals and companies cited in this motion in order to gain access to their records for auditing purposes. Under this motion, one of the companies to be audited, along with its president, was Wyda Systems (Canada) Inc.

IDEA Corporation's investment portfolio had been taken over by the Ontario Development Corporation (ODC), effective July 1, 1986. The Committee met with ODC officials, at their request, on November 13, 1986 to discuss the investment of an additional \$500,000 in Wyda, as per the agreement outlined on page 65 of the Committee's first report on the Caplan matter. Upon further consultation with ODC officials, the Committee adopted the following report of the Sub-Committee on November 20, 1986:

The Sub-Committee has received a report from the Ontario Development Corporation in which three alternate courses of action respecting Wyda Systems (Canada) Inc. were presented.

The Sub-Committee will express no objection to the provision of interim financing to Wyda, pending completion of the Committee's enquiries into the affairs of the Company.

It is the Sub-Committee's expectation that this funding, together with matched funding from the shareholders or other investors, will meet the working capital requirements of the company for a 30 day period during which time the Provincial Auditor and the Committee will attempt to complete their investigations.

Unless the Committee and the Provincial Auditor find evidence to substantiate their concerns, the Committee would then expect the Ontario Development Corporation to manage this investment in a manner consistent with normal commercial practices.

The Sub-Committee bases the above on their understanding that: (1) no funds will be advanced in excess of the total investments previously committed by the IDEA Board of Directors; (2) the funding will be subject to certain conditions and safeguards, including those described to the Sub-Committee by the Ontario Development Corporation; and (3) measures will be in place to facilitate the Provincial Auditor's current audit.

On December 1, 1986, the Minister of Industry, Trade and Technology announced in the Legislature that Wyda Systems was in receivership. At its meeting of December 11, 1986, the Committee learned from ODC officials that an OPP investigation into Wyda had been initiated and that the ODC was seeking maximum commercial recovery of the Wyda investment through every available legal remedy. After some discussion, the Committee passed a motion stating:

that the Chairman of the Committee report to the Legislature that the Committee is not in a position to investigate further this complex matter and it is the position of the Committee that a judicial inquiry be initiated forthwith into this matter.

While the Committee thus resolved to conclude its investigation into the companies and individuals cited in the October 2, 1986 motion, Committee inquiries into other IDEA Corporation investments were ongoing.

Other IDEA Corporation Investments

On October 16, 1986, another motion relating to the IDEA Corporation was carried. This motion called for a full investigation into a \$5 million investment by IDEA Corporation into a computer software firm that had become insolvent. Committee hearings on this matter and the handling of the IDEA Corporation portfolio by ODC were to commence in 1987 and will therefore be discussed in the Committee's report for that year.

Recommendation

#62. The Committee strongly urges the government to launch a full judicial inquiry into the failure of Wyda Systems (Canada) Inc. The Committee further recommends that action be taken through the courts and every other available means to recover the \$3 million invested in the company.

Retirement of the Clerk

Pursuant to an October 23, 1986 motion passed unanimously by the Public Accounts Committee, an investigation was launched into the severance and pension package of the Clerk Emeritus of the Ontario Legislature.

Background

On July 2, 1986, the Clerk's retirement was announced in the Legislature. His retirement became effective on October 8, 1986, the day his successor was sworn in as the new Clerk of the House.

The terms of the Clerk's pension and other benefits were approved by the Board of Internal Economy on October 7, 1986. The approved compensation package included:

- \$38,400 in annual pension benefits.
- \$21,600 in additional pension to provide an annual retirement income of \$60,000. (The additional pension represented interest on a \$220,000 annuity purchased by the government to supplement the Clerk's retirement income.)
- a \$31,500 annual stipend to be paid during the period the Clerk is actively working on a history of the Legislature and researching rulings, etc., which would bring his total annual remuneration to \$91,500.
- a lump sum payment of \$117,988 (later changed to \$95,000) to cover the costs of unused sick leave and vacation time.
- office space in the Whitney Block to be furnished at a cost of \$8,000. Together with a secretary and word processing equipment, the continuing costs for an Office of the Clerk Emeritus would total \$47,305 for the fiscal year 1986-87.
- use of "garage services" – that is, a government limousine and driver.
- any additional costs for the Office of the Clerk Emeritus, subject to approval by the Board of Internal Economy.

Committee Proceedings

The Committee met on November 27, 1986 to discuss these controversial provisions for the Clerk's retirement with the Secretary of the Cabinet and

Clerk of the Executive Council and with the Minister of Colleges and Universities, who was also a member of the Board of Internal Economy.

The Committee Members were highly critical of the manner in which the Clerk's retirement package had been negotiated, as well as the generous terms of the settlement itself. The Committee objected to the fact that government officials involved in negotiating with the Clerk had failed to finalize this matter at the time his retirement was announced. Although the Committee considered a \$60,000 annual retirement income – the equivalent of what a deputy minister would receive – reasonable, the Members viewed the annual stipend and additional benefits conferred on the Clerk as excessive. The Committee also rejected the argument that, had the government not agreed to the various provisions requested by the Clerk, he could have sued for and been granted a far greater settlement than had been negotiated.

The Committee pursued the issue of wrongful dismissal and how such a suit might have been decided in the case of the 75-year old retiring Clerk during its December 4, 1986 meeting. The testimony of a leading legal authority on wrongful dismissal actions was heard. For many of the Committee Members, this witness' remarks confirmed that the chances of the Clerk suing successfully for wrongful dismissal and winning a large settlement were highly improbable.

At its next scheduled meeting on this matter, the Committee was informed by the Treasurer that the Board of Internal Economy was soon expected to approve a revised compensation package for the Clerk Emeritus. The details of this revised settlement were revealed during the week of December 15, 1986. Upon learning that the Clerk Emeritus would now receive the \$60,000 pension agreed to earlier, but not the \$31,500 annual stipend for completing his book and other contentious payments and benefits, the Committee concluded its review of this matter.

The Committee heartily approved of the revised retirement package, which had been negotiated largely in response to the Committee's strenuous objections to the original settlement.

Further Inquiries

Although the Committee was entirely satisfied with the results of its inquiry into the Clerk's retirement, other instances of public servants and government appointees receiving unduly generous sign-offs were a source of ongoing concern. On November 27, 1986, the Committee passed a motion requesting the Provincial Auditor to obtain information on any contracts, agreements, settlements and terms of settlement relating to various individuals formerly employed by government bodies. The Committee's review of the information to be obtained by the Auditor would take place in 1987. In the meantime, however, the Committee wishes to express its concern over the apparent lack of public availability of such information and to offer the following recommendation which may be of assistance in future investigations of this kind:

#63. The Committee recommends that the terms and amount of payouts given to public servants upon their retirement or removal from office be made available for public scrutiny. The Committee also recommends that such payouts be detailed among the expenditures listed in Volume 3 of the Public Accounts of Ontario.

Provincial Court Facilities and Management of Government Properties

On June 12, 1986, the Committee passed a motion calling for the Provincial Auditor to review problems with the province's court facilities that were cited in a special investigation by a CBC Radio reporter. The motion also instructed the Auditor to report to the Committee by November 1986 to enable the Committee to conduct a full investigation into the management of court facilities and other government properties during the Christmas recess.

The Committee later decided against receiving the Auditor's report on the state of the provincial courts in November 1986, as the Committee's already-full schedule would not permit immediate and thorough consideration of the issues raised in the motion. The Committee anticipated that its review of the Auditor's report on the court offices, together with the larger issue of government property management, would be undertaken in early 1987 and reported on thereafter.

COMMITTEE PROCEDURES AND OPERATIONS

Appointment and Powers of the Committee

Standing Order 90 of the provisionally amended Standing Orders of the Legislative Assembly provides for the appointment of the Standing Committee on Public Accounts for the duration of each Session of Parliament. The Committee is empowered to review and report to the House its observations, opinions and recommendations on the Report of the Provincial Auditor and the Public Accounts as these documents become available. The Committee may also examine, enquire into and report on matters referred to it by the Assembly. Pursuant to Standing Order 91 (provisional) and section 35 of the Legislative Assembly Act, the Committee also has the power to send for persons, papers and things as required.

The current Public Accounts Committee was appointed on April 28, 1986, shortly after the commencement of the Second Session, Thirty-Third Parliament.

Committee Membership

The membership of the all-party Public Accounts Committee is proportional to the respective party membership in the Legislature. Altogether, there are eleven Members of the Legislature who sit on the Committee: five Progressive Conservatives, four Liberals and two New Democrats.

Since 1968, the Chairman of the Committee has been a Member of the Official Opposition. A Liberal Member thus acted as Committee Chairman prior to the May 2, 1985 election, which signalled a change in government. The current Committee Chairman is a Member of the Progressive Conservative Party.

In early 1985, the Committee elected an Official Opposition Member as its Vice-Chairman on the understanding that, in order to maintain the proportional representation of political parties on the Committee, the Vice-Chairman and Acting Chairman – when applicable – should be Official Opposition Members as well. This would preserve the political balance of the Committee, particularly in cases where a tie-breaking vote must be cast.

(The Chairman of the Committee, or whoever is designated to act in his place, is entitled to vote on motions only to break a tie.)

Committee Meetings

Frequency

The Committee meets regularly every Thursday morning when the Legislature is in session. Subject to approval of the House Leaders, the Committee may meet more frequently when the House is in session and during the summer and Christmas recesses. Most Committee meetings are open to the public. Committee reports are generally reviewed in camera.

The Committee held a total of 24 public meetings in 1985 and 52 public meetings in 1986.

Witnesses

When the Committee is reviewing the operations of government ministries, the deputy minister and senior ministry officials usually appear as witnesses to respond to questions raised by Committee Members. The chief executive officer and possibly the chairman of the board are called as witnesses when Crown agencies are under review by the Committee.

Although ministers are rarely called to appear as witnesses, the Committee did request the appearance of one former minister during its inquiry into the forest management activity of the Ministry of Natural Resources in January 1986. It is also unusual for individuals from the private sector to participate as witnesses in Committee hearings. However, during the Committee's inquiries into the domed stadium finances and the alleged conflict of interest concerning Elinor Caplan, MPP, several private-sector witnesses gave testimony relevant to public matters under investigation by the Committee. The testimony of a legal expert on wrongful dismissal was also heard during the Committee's review of the retirement of the Clerk of the Legislature.

Members' Questions

On December 4, 1986, the Committee adopted a procedural change setting time limits on Members' questions. The Committee agreed that, during consideration by the Committee of any matter, recognized speakers shall be limited to 20 minutes per round; that an extension of the time limit be granted only with the unanimous consent of the Committee; and that there be rotation of speakers by party.

A similar format for Members' questions had proven effective during the Committee's conflict of interest inquiry. This procedure was therefore adopted for all future meetings in an effort to streamline proceedings and afford all Committee Members an opportunity to question witnesses.

Role and Responsibilities of the Committee

The role of the Committee, quite simply, is to hold the government and Crown agencies accountable for the spending and management of public funds. In fulfilling this function, the Committee examines, assesses and reports to the Legislature on a variety of matters, including:

- the reliability and appropriateness of information in the Public Accounts to provide a full and fair accounting of operations and financial transactions;
- the collection of, and proper accounting for, all taxes and other revenues due;
- the maintenance of expenditures within the limits and for the purpose authorized by the Legislature;
- the adequacy of safeguards to protect assets from loss, waste and misappropriation;
- the regard for economy in the acquisition of goods and services;
- the regard for efficiency in operations; and
- the effectiveness of programs in achieving their stated objectives.

Additional Responsibilities

The Committee also reviews annually the Estimates of the Office of the Provincial Auditor. Supplementary Estimates of the Auditor's Office, when required, are subject to Committee review as well.

It had been the policy of the Committee since the early seventies that the travel records of the Premier may be examined from time to time in confidence by a delegation from the Public Accounts Committee. Under a new procedure adopted by the Committee on October 23, 1986, the Premier's travel expenditures are to be reviewed in camera by the Sub-Committee, and if any questions about these matters remain, they may be brought forward to the full Committee for review.

The Provincial Auditor's Role in the Committee Process

The Provincial Auditor and his staff assist the Committee in the fulfilment of its various functions. The Auditor's role in terms of the Committee, as set out in section 16 of the Audit Act, is to attend meetings of the Committee in order to provide assistance in planning its agenda, reviewing the Public Accounts and the Annual Reports of the Auditor, and examining and reporting on any matter referred to the Auditor by a resolution of the Committee. Section 17 of the Act also provides for the Auditor to undertake any special assignments that may be required by the Committee.

Auditor's Annual Report Briefings

Prior to the tabling of the Auditor's 1984 Annual Report, a lockup, restricted to Members of the Public Accounts Committee, was held for the first time. These lockup procedures were discussed by the Committee during its March 19, 1985 meeting. Because some Committee Members felt that caucus researchers should be admitted to the lockup and that the media should also be given an opportunity to examine the Auditor's Annual Report prior to tabling, the Committee passed a motion recommending revised briefing procedures. The revised procedures called for two separate but simultaneous lockups, one for the Members of the Legislature and their research staff and one for representatives of the media. The lockups would be concluded with a

news conference, during which the Provincial Auditor would respond to the media's questions.

The new briefing procedures were followed prior to the tabling of the Auditor's 1985 and 1986 Annual Reports.

Expanding Role of the Committee and the Provincial Auditor

Traditionally, the Public Accounts Committee has reviewed only past expenditures, concentrating on issues raised in the Auditor's Annual Report for the previous reporting year. More recently, however, the Committee has broadened the scope of its investigations to include proposed as well as past expenditures, current issues not cited in the Auditor's Report and policy matters that were hitherto considered beyond the Committee's mandate.

The enlargement and redefinition of the Committee's investigative territory has, in turn, led to an expansion of the Provincial Auditor's role in terms of the Committee. Since mid-1985, the Committee has instructed the Auditor to undertake an unprecedented number of special assignments in connection with such issues as the domed stadium financing, the proposed sale of the Urban Transportation Development Corporation, the activities of the Industrial Accident Prevention Association, the state of the provincial court facilities and the financial records of private individuals and companies under Committee investigation.

Expansion of the role and function of the Public Accounts Committee and the Provincial Auditor's Office was one of the items included under legislative reform in the May 1985 Liberal-NDP Accord. While this expansion seems to have taken place in practice, it has not been formally addressed through legislative change. The Committee recognizes the need to formalize the newly-expanded roles and responsibilities of both the Committee and the Auditor and expects, in due course, to consider revisions to its mandate and appropriate amendments to the Audit Act.

Canadian Council of Public Accounts
Committees, Annual Meetings

The annual meetings of the Canadian Council of Public Accounts Committees are held in conjunction with the Legislative Auditors' annual conferences. These meetings provide an opportunity for Members and staff of public accounts committees and the legislative auditing community to exchange information and views on common experiences and important issues.

1985

The Seventh Annual Meeting of the CCPAC took place in Whitehorse, Yukon from July 7 to July 10, 1985. In years past, the Ontario delegation to the CCPAC meeting consisted of a full complement of Committee Members and staff. In 1985, however, this meeting was attended by only three Members of the Ontario Legislature, one from each party. Because the 1985 annual CCPAC meeting took place in June, after the provincial election of May 2 and before the swearing-in of the new government on June 26, committees of the Legislature had not yet been formed. But the Board of Internal Economy approved the travel of the three MPPs to this meeting so that Ontario would nevertheless be represented at this event.

It is customary for one of the Committee Members attending the CCPAC meeting to present a case study on a topic that has had an impact on the Committee's operations of the preceding year. The case study presented at the 1985 meeting outlined the circumstances of the Committee's 1984 inquiry into Ontario Hydro. This generated an interesting round-table discussion of the partisan makeup of committees and the way in which this affects the analysis of issues.

1986

The Eighth Annual Meeting of the CCPAC was held in Regina, Saskatchewan from July 6 to July 9, 1986. The Committee had chosen as its presentation topic a case study of its inquiry into the financing arrangements for the domed stadium. Unfortunately, the Committee was unable to attend this CCPAC meeting and present its case study due to other pressing commitments. The Committee was in the midst of its inquiry into alleged

conflict of interest concerning Elinor Caplan, MPP, and it was considered imperative that hearings into this matter be concluded as scheduled and as expeditiously as possible.

APPENDIX A

List of Committee Meetings, 1985

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Schedule of Hearings and Witnesses

February - December 1985

Wednesday, 13 February 1985

10:00 a.m. Briefing Session

2:00 p.m. Re: - Algonquin College of Applied Arts and Technology

From the Ministry of Colleges and Universities:

Dr. G. Podrebarac
Deputy Minister

J. Humber
Director, College Affairs Branch

From Algonquin College of Applied Arts
and Technology:

P. Killeen
President

P. Bajaj
Director, Finance and General Services

R. Myron
Vice-President, Finance

Dr. H. Nesbitt
Chairman

Thursday, 14 February 1985

10:00 a.m.
and
2:00 p.m.

Re:- Algonquin College of Applied Arts and Technology

From the Ministry of Colleges and Universities:
Dr. G. Podrebarac
Deputy Minister

J. Humber
Director, College Affairs Branch

From Algonquin College of Applied Arts
and Technology:

P. Killeen
President

P. Bajaj
Director, Finance and General Services

R. Myron
Vice-President, Finance

Dr. H. Nesbitt
Chairman

From the Society of Management Accountants
of Ontario:

B. Dye, Executive Director

Tuesday, 19 February 1985

10:00 a.m.

Organization and Procedure

Re: - Release of Provincial Auditor's Reports

From the Legislative Assembly Press Gallery:
Bruce Stewart
Treasurer, (Hamilton Spectator)

Rosemary Cino
Second Vice-President, (Thomson Newspapers)

Motion re: Ministry of Labour contract

2:00 p.m.

Motions re: Ministry contracts

Motion re: Ministry of Government Services land sales

Wednesday, 20 February 1985

10:00 a.m. Motion re: Study of Management and Accountability in
 the Government of Ontario

 Notice of Motion re: Domed Stadium Finances

2:00 p.m. Report on Small Business Development Corporation
 Program

 Schedule

Thursday, 21 February 1985

10:00 a.m. Motion re: Domed Stadium Finances

2:00 p.m. Re: - Section 3.14, 1984 Annual Report of the
 Provincial Auditor

 Re:- Algonquin College of Applied Arts and Technology

Thursday, 11 July 1985

10:00 a.m. Organization

Thursday, 15 August 1985

10:00 a.m. Notice of Motion re: Private Container Stock
 Nurseries Program

 Motions re: Domed Stadium Finances

Monday, 16 September 1985

2:00 p.m. Re: - Domed Stadium Finances

Tuesday, 17 September 1985

10:00 a.m.

Re: - Domed Stadium Finances

From the Stadium Corporation of Ontario Ltd.:
Martin Connell
Chairman

Wednesday, 18 September 1985

10:00 a.m.

Re: - Domed Stadium Finances

and

2:00 p.m.

Bruce Kidd
Associate Professor
University of Toronto

David Burstow
President, CN Real Estate

Wednesday, 25 September 1985

10:00 a.m.

Re: - Domed Stadium Finances

and

2:00 p.m.

From Canadian Tire Corporation Ltd.:
Hugh Macaulay
Chairman of the Board

From Labatt Brewing Company Ltd.:
Dr. E. Stewart
Executive Vice-President

From Argus Corporation Ltd.:
M. Black
Chief Executive Officer

From Carling O'Keefe Ltd.:
S. Roderick McInnes
President and Chief Executive Officer

Donald Twiner
Chief Executive Officer
Carling O'Keefe Breweries of Canada Ltd.

Thursday, 26 September 1985

10:00 a.m.
and
2:00 p.m.

Re: - Domed Stadium Finances

From The Toronto Sun:
Paul Godfrey
Publisher

From the Municipality of Metropolitan Toronto Council:
Dennis Flynn
Chairman

Friday, 27 September 1985

10:00 a.m.

Re: - Domed Stadium Finances

From Brascan Ltd.:
Trevor Eyton
President

Wendy W. Cecil-Stuart
Vice-President, Business Development

From Trilon Financial Corporation:
Gordon R. Cunningham
Executive Vice-President and
Chief Operating Officer

Thursday, 24 October 1985

10:00 a.m.

Motion re: Sub-Committee

Motions re: Domed Stadium Finances

Notice of Motion re: Royal Commission on the
Northern Environment

Thursday, 31 October 1985

10:00 a.m.

Motion re: Royal Commission on the
Northern Environment

Re: - Domed Stadium Finances

From Molson Ontario Breweries Ltd.
N.M. Seagram
President

A. Japp
Vice-President, Public Affairs

From Carling O'Keefe Ltd.:
S. Roderick McInnes
President and Chief Executive Officer

Donald Twiner
Chief Executive Officer
Carling O'Keefe Breweries of Canada Ltd.

Thursday, 7 November 1985

10:00 a.m.

Sub-Committee Report

Notice of Motion re: Report on Audit of Forest
Management Activity

Re: - Domed Stadium Finances

From the Stadium Corporation of Ontario Ltd.:
Martin Connell
Chairman

Notice of Motion re: Domed Stadium Finances

Thursday, 21 November 1985

10:00 a.m. Motion re: Report on Audit of Forest
Management Activity

 Motion re: - Domed Stadium Finances

 Notice of Motion re: Report on Audit of Forest
Management Activity

 Re: - Domed Stadium Finances

Thursday, 5 December 1985

9:45 a.m. Re: - Domed Stadium Finances

 Motion re: Report on Audit of Forest Management
Activity

 1985-86 Estimates of the Office of the Provincial
Auditor

Tuesday, 10 December 1985

4:00 p.m. Organization

 Re: - Domed Stadium Finances

Thursday, 12 December 1985

10:00 a.m. Re: - Domed Stadium Finances

Tuesday, 17 December 1985

4:00 p.m. Re: - Domed Stadium Finances

Thursday, 19 December 1985

10:00 a.m.

Re: - Domed Stadium Finances

From the Stadium Corporation of Ontario Ltd.:
R. McNeil
Secretary to the Board

Friday, 20 December 1985

11:30 a.m.

Re: - Domed Stadium Finances

From the Stadium Corporation of Ontario Ltd.:
Martin Connell
Chairman

Charles Magwood
President and Chief Executive Officer

APPENDIX B

List of Committee Meetings, 1986

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Schedule of Hearings and Witnesses

January - December 1986

Tuesday, 9 January 1986

10:00 a.m. Organization

Thursday, 16 January 1986

10:00 a.m. Organization

Re: - Domed Stadium Finances

From the Stadium Corporation of Ontario Ltd.:
 Martin Connell
 Chairman

Charles Magwood
President and Chief Executive Officer

M. Beynon
Chairman, Technical Evaluation Committee

Thursday, 30 January 1986

10:00 a.m. 1985 - 86 Supplementary Estimates of the Office of
the Provincial Auditor

Re: - Report on Audit of Forest Management Activity

From the Ministry of Natural Resources:
 Mary Mogford
 Deputy Minister

Kenneth Armson
Executive Coordinator
Forest Resources Group

Thursday, 6 February 1986

10:00 a.m.

Re: - Domed Stadium Finances

From the Foundation Company of Canada Limited:
J. Otter
Vice-President

From the Eastern Construction Company Limited:
E.C. O'Neil
Executive Vice-President

From Ellis-Don Limited:
G. Davis
Executive Vice-President

From PCL Constructors Eastern Inc.:
R. Tarr
President

From the Stadium Corporation of Ontario Ltd.:
Martin Connell
Chairman

Charles Magwood
President and Chief Executive Officer

M. Beynon
Chairman, Technical Evaluation Committee

R. Floyd
Member, Cost Committee

Thursday, 13 February 1986

10:00 a.m.

Organization

Re: - Domed Stadium Finances

From the Stadium Corporation of Ontario Ltd.:
Martin Connell
Chairman

Charles Magwood
President and Chief Executive Officer

From Labatt Brewery Company Ltd.:
Dr. E. Stewart
Executive Vice-President

Thursday, 27 February 1986

10:00 a.m.

Re: - UTDC

From the Ministry of Transportation and
Communications:

Gerry H. Johnston
Assistant Deputy Minister
Provincial/Municipal Transportation

Friday, 28 February 1986

9:00 a.m.

Re: - UTDC

John Kruger
Special Advisor to the Premier on
Crown Corporations

From the Urban Transportation Development
Corporation:

Kirk Foley
President

Monday, 17 March 1986

9:45 a.m.
and

Re: - UTDC

1:30 p.m.

From Can-Car Rail Inc.:

John A. Walker
Vice-President, Operations

From RailTrans Industries of Canada Ltd.:

Russell C. Anderson
President and Chief Operating Officer

From the City of Thunder Bay:

Jack Master
Mayor

From Office and Professional Employees International
Union, Local 81:

Sandy Rabachuk
Vice-President, Local 81
Chairman, Bargaining Committee

Emil Stencer
Union Representative

Don Talarico
Union Representative

From U.A.W., Local 1075:
George Rusnick
President

Tom Murphy
Plant Chairman

Tuesday, 18 March 1986

2:00 p.m.

Re: - Section 4.9, 1984 Annual Report of the Provincial
Auditor and Section 4.12, 1985 Annual Report of the
Provincial Auditor

From the Ontario Lottery Corporation:
Norman Morris
President

Kathy Petrik
Vice-President, Corporate Communications

From the Ministry of Tourism and Recreation:
James Keenan
Deputy Minister

Wednesday, 19 March 1986

10:00 a.m.

Re: - Section 3.18, 1985 Annual Report of
the Provincial Auditor

From the Ministry of Transportation
and Communications:

David Hobbs
Deputy Minister

Ian Oliver
Executive Director, Highway
Operation and Maintenance Division

Janice Service
Director, Human Resources Branch

Friday, 21 March 1986

10:00 a.m.

Re: - UTDC

From the Urban Transportation
Development Corporation and related Companies:
Lyn Hilborn
Chief Assistant to the President, UTDC Ltd.

Cindy Nutter
Manager, Corporate Affairs, UTDC Ltd.

Jim Cherry
Vice-President, Finance, Metro Canada Ltd.

Don Byers
Director of Test Operations
Metro Canada Ltd

Ben Craig
Director of Manufacturing
Venture Trans Manufacturing

Brian Caldwell
Executive Vice-President
Transportation Technology Ltd.

1:30 p.m.

Re: - UTDC

From Kingston Area Economic Development
Commission:
Reeve Jack Kippen
Township of Ernestown

Bob McIntyre
Director

From U.A.W., Local 1837:
David Smith
Plant Chairman

Janet Rooney
Plant Committee Member

Ed Agarand
Plant Committee Member

Tony Wohlfarth
International Representative

Monday, 24 March 1986

10:00 a.m.
and
2:00 p.m.

Re: - UTDC

John Kruger
Special Advisor to the Premier on
Crown Corporations

From the Urban Transportation Development
Corporation:
Kirk Foley
President

Tuesday, 25 March 1986

10:00 a.m.

Re:- Section 3.4, 1985 Annual Report of the Provincial
Auditor

From the Ministry of the Attorney General:
Richard F. Chaloner
Acting Deputy Attorney General

Glenn Carter
Assistant Deputy Minister
Courts Administration

D. Ross Peebles
General Manager
Programs and Administration Division

2:00 p.m.

Re:- Section 3.13, 1985 Annual Report of the Provincial
Auditor

From the Ministry of Health:
Dr. A. E. Dyer
Deputy Minister

Ron LeNeveu
Assistant Deputy Minister
Administration, Finance and Health Insurance

D. W. Corder
Assistant Deputy Minister
Mental Health

Paul J. Donoghue
Executive Director, Public Health
and Nursing Homes Division.

Wednesday, 26 March 1986

10:00 a.m.

Re:- Domed Stadium Finances

From the Stadium Corporation of Ontario Ltd.:
Charles Magwood
President and Chief Executive Officer

M. Beynon
Chairman, Technical Evaluation Committee

2:00 p.m.

Re:- Sections 3.8, 3.9 and 3.10, 1985 Annual Report of
the Provincial Auditor

From the Ministry of Education:
Duncan Green
Acting Deputy Minister

T. Philip Adams
Assistant Deputy Minister, Administration

Sheila Roy
Director, Curriculum Branch

David H. S. Thornton
Director,
Data Processing Services Branch

William P. Lipischak
Director,
Evaluation and Supervisory
Services Branch

Robert J. Hunter
Education Officer,
Supervisory Services Unit
Evaluation and Supervisory Services Branch

Thursday, 1 May 1986

10:00 a.m.

Organization

Re: - Section 3.3, 1985 Annual Report of the Provincial Auditor

From the Ministry of Agriculture and Food:

Dr. Clayton M. Switzer
Deputy Minister

Rita M. Burak
Assistant Deputy Minister
Finance and Administration

Dr. George Collin
Assistant Deputy Minister

John Galloway
Director, Management System Branch

Michael S. Keith
Director, Financial and Support Services Branch

Dr. Kenneth McDermid
Executive Director, Quality and Standards Division

Dr. James Ashman
Director, Dairy Inspection Branch

Schedule

Motion re: Committee Travel

Thursday, 8 May 1986

10:00 a.m.

1986-87 Estimates of the Standing Committee on Public Accounts

Notice of Motion re:- UTDC

Re:- Section 4.11, 1985 Annual Report of the Provincial Auditor

From the Ministry of Housing:

Ward Cornell
Deputy Minister

Len F. Pitura
Assistant Deputy Minister, Community Housing and
Vice-Chairman and Chief Executive Officer,
Ontario Housing Corporation

From the Ontario Housing Corporation:
Doug J. Beesley
General Manager

Thursday, 15 May 1986

10:00 a.m.

Organization

Re:- Section 3.17, 1985 Annual Report of the Provincial
Auditor

From the Ministry of the Solicitor General:
John D. Takach
Deputy Solicitor General

R. Archie Ferguson
Commissioner, Ontario Provincial Police

Thursday, 22 May 1986

10:00 a.m.

Motion re:- UTDC

Motion re:- Safety Associations

Thursday, 29 May 1986

10:00 a.m.

Notice of Motion re:- Management of
Government Property (Court Houses)

Re:- Section 3.13, 1984 Annual Report of the
Provincial Auditor
and

Section 3.12, 1985 Annual Report of the Provincial
Auditor

From the Ministry of Government Services:
Gerard Raymond
Deputy Minister

Lon Pencak
Assistant Deputy Minister, Accommodation

Joseph Silver
Executive Director, Finance and Administrative
Services Division

Rob Lowry
Director, Planning Branch

Thursday, 5 June 1986

10:00 a.m.

Organization

Re:- Safety Associations

From the Workers' Compensation Board:

Robert Elgie, M.D.
Chairman of the Board

From the Industrial Accident Prevention Association:

G. F. Donaldson
President
(Manager, Loss Prevention and Security,
AEL Microtel Ltd., Brockville)

C. H. Manne
First Past President
(Plant Manager, PPG Canada Inc., Mississauga)

R. C. Johnston
Second Past President
(Vice-President, Operations, Dorr-Oliver
Canada Ltd., Orillia)

From the Ministry of Labour:

Thomas E. Armstrong
Deputy Minister

From the Occupational Health and Safety
Education Authority:

Bob Bucher
Chairman

John Ridout
Industry Representative

Stewart Cooke
Labour Representative

Thursday, 12 June 1986

10:00 a.m.

Motion re: Management of Government
Property (Court Houses)

Re:- Safety Associations

From the Farm Safety Association Inc.:

Robert Goulet
President

Irene Long
Vice-President

Stephen Zronik
Public Relations Coordinator

Jim Ross
Senior Safety Consultant

Jane Reed
General Manager

From the Ministry of Labour:

Thomas E. Armstrong
Deputy Minister

From the Workers' Compensation Board:

Robert Elgie, M.D.
Chairman of the Board

Thursday, 19 June 1986

10:00 a.m.

Re:- Safety Associations

From the Industrial Accident Prevention Association:

G.F. Donaldson
President
(Manager, Loss Prevention and Security,
AEL Microtel Ltd., Brockville)

R. C. Johnston
Second Past President,
(Vice-President, Operations, Dorr-Oliver
Canada Ltd., Orillia)

J.V. Findlay
Executive Vice-President and General Manager

J.H. Oldham
Director, Media and Public Affairs

From the Ministry of Labour:
Thomas E. Armstrong
Deputy Minister

From the Workers' Compensation Board:
Robert Elgie, M.D.
Chairman of the Board

Re:- Alleged Conflict of Interest concerning
Elinor Caplan, M.P.P.

Monday, 23 June 1986

4:00 p.m.

Re:- Alleged Conflict of Interest

Wednesday, 25 June 1986

10:00 a.m.
and
4:00 p.m.
and
8:00 p.m.

Re:- Alleged Conflict of Interest

From the Cabinet Office:
Robert Carman
Secretary of the Cabinet and
Clerk of the Executive Council

From the Ministry of the Attorney General:
Blenus Wright
Assistant Deputy Attorney General - Civil Law

Thursday, 26 June 1986

10:00 a.m.

Re:- Safety Associations

From the Mines Accident Prevention Association
Ontario:

R.J. Bailey
President

J. Barkwell
Secretary Treasurer

E.W. Isaac
Executive Director (incumbent)

W.K. Coughlan
Executive Director (to replace incumbent)

From the Ministry of Labour:

Thomas E. Armstrong
Deputy Minister

Arthur Gladstone
Manager, Program Development Unit
Occupational Health and Safety Division

From the Workers' Compensation Board:

Robert Elgie, M.D.
Chairman of the Board

Dr. E. Kummel
Director
Downsview Rehabilitation Centre

Wednesday, 2 July 1986

9:00 a.m.
and

4:00 p.m.
and

8:00 p.m.

Notice of Motion re:- Alleged Conflict of
Interest concerning René Fontaine, M.P.P.

Re:- Alleged Conflict of Interest concerning
Elinor Caplan, M.P.P.

From IDEA Corporation:

Ian Macdonald
Former Chairman

Harold Blakley
Former President

Daryl Logan
Former Vice-President
Innovation Assistance

Bruno Maruzzo
Former Senior Manager
Technical Assessment

Simon Armstrong
Counsel

John Phillips
Counsel

From Tory, Tory, Deslauriers and Binnington:

Mary Eberts
Barrister and Solicitor

Thursday, 3 July 1986

9:00 a.m.
and
4:00 p.m.
and
8:00 p.m.

Re:- Alleged Conflict of Interest

From Tory, Tory, Deslauriers and Binnington:
Mary Eberts
Barrister and Solicitor

From IDEA Corporation:
Harold Blakley
Former President

Daryl Logan
Former Vice-President
Innovation Assistance

Bruno Maruzzo
Former Senior Manager
Technical Assessment

Geoff Cannon
Former Acting Vice-President
Venture Investment

Simon Armstrong
Counsel

John Phillips
Counsel

From WYDA Systems (Canada) Inc.:
William Manuel
Counsel

Monday, 7 July 1986

4:00 p.m.
and
8:00 p.m.

Re:- Alleged Conflict of Interest

From Cabinet Office:
John Kruger
Special Advisor to the Premier on
Crown Corporations

From the Ministry of Community and Social Services:
Peter Barnes
Deputy Minister

From IDEA Corporation:
Pat Parikh

Tuesday, 8 July 1986

10:00 a.m.
and
4:00 p.m.
and
8:00 p.m.

Re:- Alleged Conflict of Interest

From WYDA Systems (Canada) Inc.:
Avi Dobzinski
President

William Manuel
Counsel

Cheryl Elliott
Counsel

Wednesday, 9 July 1986

9:00 a.m.
and
4:00 p.m.
and
8:00 p.m.

Re:- Alleged Conflict of Interest

The Honourable David Peterson, M.P.P.
Premier of Ontario

From Taurus Metal Trading Corporation:
Wilfred Caplan
Director and Secretary-Treasurer

Arthur N. Gans
Legal Counsel

Friday, 11 July 1986

9:00 a.m.
and
2:00 p.m.

Re:- UTDC

From the Urban Transportation Development
Corporation:
Gord Nevison
Vice-President
Sales

Phil Stevenson
Vice-President, Corporate Affairs

From B.C. Transit:
Stephen L. Hall
Deputy General Manager, Skytrain

Bobbie Holob
Special Programs

From Metro Canada Limited:
Derek G. Winton
Director, ICTS Programs

Saturday, 12 July 1986

1:00 p.m.

Re:- Ontario Pavilion, Expo 86

From the Ministry of Transportation and
Communications:

Jack M. Callen
Commisioner, Ontario Pavilion

A. Stewart Kell
Deputy Commissioner, Ontario Pavilion

William A. Rathbun
Deputy Commissioner, Programs and Protocol

Robert A. Whitelaw
Director, Finance and Administration

Monday, 14 July 1986

9:30 a.m.
and
2:00 p.m.

Re:- Domed Stadium Finances

From B.C. Place Stadium:

Harry Renaud
Vice-President
B.C. Place and Stadium General Manager

Friday, 18 July 1986

9:00 a.m.

Re:- Alleged Conflict of Interest
Elinor Caplan, M.P.P.

Monday, 21 July 1986

10:00 a.m.
and

Re:- Alleged Conflict of Interest
Elinor Caplan, M.P.P.

2:00 p.m.
and

From Canadian Intercorp:
Ivan Fleischmann
President

7:00 p.m.

Sidney Lederman
Counsel

Tuesday, 22 July 1986

10:00 a.m.

Re:- Alleged Conflict of Interest

From IDEA Corporation:
Daryl Logan
Former Vice-President
Innovation Assistance

Simon Armstrong
Counsel

Thursday, 7 August 1986

9:00 a.m.
and

Re:- Alleged Conflict of Interest

2:00 p.m.

From the Cabinet Office:
John Kruger
Special Advisor to the Premier on
Crown Corporations

From the Ministry of Community and Social Services:
Peter Barnes
Deputy Minister

From IDEA Corporation:
Harold Blakley
Former President

Simon Armstrong
Counsel

Joyce Bryant
Former Secretary to Elinor Caplan, M.P.P.

Friday, 8 August 1986

9:30 a.m.

Re:- Alleged Conflict of Interest

From Taurus Metal Trading Corporation:
Wilfred Caplan
Director and Secretary-Treasurer

Monday, 18 August 1986

10:00 a.m.
and
2:00 p.m.

Re:- Alleged Conflict of Interest

Tuesday, 19 August 1986

10:00 a.m.
and
4:30 p.m.

Re:- Alleged Conflict of Interest

Wednesday, 20 August 1986

10:00 a.m.
and
2:00 p.m.

Re:- Alleged Conflict of Interest

Thursday, 21 August 1986

9:00 a.m.

Re:- Alleged Conflict of Interest

Notice of Motion re: Speaker's Warrant
(Blake Cassels report)

Monday, 15 September 1986

10:00 a.m.
and
2:00 p.m.

Re:- Alleged Conflict of Interest

Notice of Motion re: Conclusions of Committee re:
Conflict of Interest (Second Report)

Notice of Motion re: Audit

Monday, 29 September 1986

10:00 a.m.
and
2:00 p.m.

Re:- Alleged Conflict of Interest

Re:- Safety Associations

From the Construction Safety Association of Ontario:

Donald A. Gaffney

President

(Vice-President, John Gaffney Construction,
Stratford)

Jim Lear

First Vice-President

(Manager-Administration, Geo Wimpey Canada Ltd.,
Toronto)

Len Sylvester

General Manager

Trevor Bryne

President

Provincial Building and Construction Trades Council
of Ontario

From the Workers' Compensation Board:

Robert Elgie, M.D.

Chairman of the Board

From the Ministry of Labour:

Glenn R. Thompson

Deputy Minister

Tuesday, 30 September 1986

10:00 a.m.

Re:- Section 4.6, 1985 Annual Report of the
Provincial Auditor

From the Election Office:
Warren R. Bailie
Chief Election Officer

James Goodwin
Finance Officer

Peng Tam
Finance Officer

Loren Wells
Election Clerk

2:00 p.m.

Re:- Section 4.11, 1985 Annual Report of the
Provincial Auditor

From the Ministry of Housing:
Ward Cornell
Deputy Minister

From the Ontario Housing Corporation:
Leonard Pitura
Vice-Chairman

Gail Taylor
Acting Director
Operations and Audit Review

Wednesday, 1 October 1986

10:00 a.m.

and

2:30 p.m.

Re:- W.C.B. Rehabilitation Centre

From the Ministry of Labour:
Glenn R. Thompson
Deputy Minister

From the Workers' Compensation Board:
Robert Elgie, M.D.
Chairman of the Board

Dr. Elizabeth Kaegi
Vice-President
Policy Planning and Special Services

Dr. E. Kummel
Director
Downsview Rehabilitation Centre

Dr. T. Fried
Assistant Director
Paramedical Services

Dr. N. Doxey
Chief Psychological Services Department
Downsview Rehabilitation Centre

Dr. Yarrow
Coordinator, Psychological Services Department
Downsview Rehabilitation Centre

Sam Van Clieaf
Director
Claims Adjudication Branch

Thursday, 2 October 1986

10:00 a.m.

Notice of Motion re: Graham Software and
IDEA Corporation

Re:- Alleged Conflict of Interest

Motion re: Second Report on the Allegation of Conflict
of Interest concerning Elinor Caplan, M.P.P.

Motion re: Audit

Monday, 6 October 1986

10:00 a.m.
and
2:00 p.m.

Re:- Safety Associations

From the Industrial Accident Prevention Association:
G.F. Donaldson
President
(Manager, Loss Prevention and Security
AEL Microtel Ltd., Brockville)

George Harrap
Honorary Treasurer
(Director, Distribution, Union Carbide Canada Ltd.,
Toronto)

Ron C. Johnston
Past President,
(Vice-President, Operations, Dorr-Oliver
Canada Ltd., Orillia)

James Findlay
Executive Vice-President and
General Manager

From the Ministry of Labour:
Glenn Thompson
Deputy Minister

From the Occupational Health and Safety
Education Authority:
Bob Bucher
Chairman

From the Workers' Compensation Board:
Robert Elgie, M.D.
Chairman of the Board

Tuesday, 7 October 1986

10:00 a.m.

Re:- Safety Associations

From the Industrial Accident Prevention Association:
G.F. Donaldson
President
(Manager, Loss Prevention and Security
AEL Microtel Ltd., Brockville)

George Harrap
Honorary Treasurer
(Director, Distribution, Union Carbide Canada Ltd.,
Toronto)

James Findlay
Executive Vice-President and
General Manager

From the Ministry of Labour:
Glenn Thompson
Deputy Minister

From the Workers' Compensation Board:
Robert Elgie, M.D.
Chairman of the Board

2:00 p.m.

Re:- Ontario Pavilion, Expo 86

From the Ministry of Transportation and
Communications:

Harold Gilbert

Chairman, Ontario Pavilion, Expo 86

Thursday, 16 October 1986

10:00 a.m.

Schedule

Motion re: Audit

Motion re: IDEA Review (Graham Software)

Notice of Motion re: Retirement Settlement Package
awarded to the former Clerk of the Legislature

Re:- IDEA Investments

From the Ontario Development Corporation:

David MacKinnon

Executive Director and Chief Executive Officer

Robert Winter

Director

Special Financial Services

Thursday, 23 October 1986

10:00 a.m.

Notice of Motion re: IAPA

Motion re: Retirement Settlement Package awarded to
the former Clerk of the Legislature

Schedule

Motion re: Alleged Conflict of Interest

1986-87 Supplementary Estimates of the Standing
Committee on Public Accounts

Review of Premier's travel expenditures

Thursday, 30 October 1986

10:00 a.m.

Notice of Motion re: Huang and Danczkay

Re:- UTDC

From the Ministry of Transportation and
Communications:

David Hobbs
Deputy Minister

From the Urban Transportation Development
Corporation:

Ken McLennan
President

Kirk Foley
Past President

Jack Biddell
Consultant

E.S. Langdon
Counsel

From the Cabinet Office:

John Kruger
Special Advisor to the Premier on
Crown Corporations

1986-87 Supplementary Estimates of the Standing
Committee on Public Accounts

Schedule

Thursday, 6 November 1986

10:00 a.m.

Re:- Safety Associations

Motion re: IAPA

Motion re: Huang and Danczkay

Thursday, 13 November 1986

10:00 a.m.

Re:- IDEA investments

From the Ontario Development Corporation:
David MacKinnon
Executive Director and Chief Executive Officer

Robert Winter
Director
Special Financial Services

Brian Cass
Director
Legal Services

Schedule

Thursday, 20 November 1986

10:00 a.m.

Notice of Motion re: Severance Settlements

Sub-Committee Report re: Ontario Development
Corporation

Motion re: Convert-to-Rent Program

Thursday, 27 November 1986

10:00 a.m.

Notice of Motions re: Movable Assets

Schedule

Re:- Retirement Settlement Package

The Honourable Gregory Sorbara, M.P.P.
Minister of Colleges and Universities

From the Cabinet Office:
Robert Carman
Secretary of the Cabinet and Clerk of the
Executive Council

Pat Jacobsen
Associate Secretary of Cabinet for Executive
Resources

Motion re: Severance Settlements

Review of Premier's travel expenditures

Thursday, 4 December 1986

10:00 a.m.

Sub-Committee Report

Schedule

Audit

Committee Procedure

Notice of Motion re: Judicial Inquiry (WYDA)

Re: Retirement Settlement Package

David Harris
Barrister and Solicitor

Thursday, 11 December 1986

10:00 a.m.

Re:- Retirement Settlement Package

The Honourable Gregory Sorbara, M.P.P.
Minister of Colleges and Universities

The Honourable Robert Nixon, M.P.P.
Treasurer of Ontario and Minister of Economics

Re:- Safety Associations

Motions re: IAPA

Motion re: Judicial Inquiry (WYDA)

From the Ontario Development Corporation:
David MacKinnon
Executive Director and Chief Executive Officer

Robert Winter
Director
Special Financial Services

Brian Cass
Director
Legal Services

Schedule

Thursday, 18 December 1986

10:00 a.m.

Draft 1985 and 1986 Report

Sub-Committee Report

Schedule

Motion re: Documents retained by Counsel re: Alleged
Conflict of Interest

Motion re: Termination Settlements

Chairman's Statement re: Question of Privilege

1986-87 Estimates and Supplementary Estimates of the
Office of the Provincial Auditor

431800013

JUL 6 1994

3 1761 11468603 3

